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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR 1991

THURSDAY, FEBRUARY 8, 1990.

DEPARTMENT OF TRANSPORTATION

WITNESSES

SAMUEL K. SKINNER, SECRETARY OF TRANSPORTATION

KATE L. MOORE, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

Mr. LEHMAN. The Subcommittee will come to order. In accordance with the rules of the House of Representatives and the Committee on Appropriations, without objection, we will permit photography and broadcasting coverage of today's hearing.

This afternoon we are delighted to welcome the Secretary of Transportation, Samuel Skinner, to begin our hearings on the fiscal year 1991 budget for the Department of Transportation.

Before you begin your opening statement, I want to commend you on the excellent job you have done during this past year. I believe my colleagues on both sides of the aisle will agree that, in most areas, you are attempting to guide the Department of Transportation in the proper direction.

However, I am disappointed that we are again faced with some of the same budget proposals that have been rejected by the Congress for the past four to five years. When we are confronted with budget requests for the Federal Highway Administration, the Urban Mass Transportation Administration, and the Federal Railroad Administration that fall $2.5 billion below the current services level, excluding the earthquake assistance funds, it makes our job of providing for a balanced transportation system extremely difficult.

I am hopeful, however, that we can work together, as we have done in the past, to produce a larger federal transportation budget, as well as one that more equitably distributes these resources.

Again, we commend you for the work you have accomplished, and look forward to a continuation of our excellent working relationship.

At this time, I would like to yield to the distinguished Chairman of the full Committee, Mr. Whitten.

Mr. WHITTEN. Thank you, Mr. Chairman. I appreciate this very much.

Mr. Secretary, I am glad to speak here on behalf of the Appropriations Committee. We have 13 subcommittees, and I truly believe we don't have any harder working group anywhere, but some misinformation gets out from time to time, and I would just like to call attention to two or three things that I believe.

Historically we have a national debt of over $3 trillion, the largest debt in history. It comes not because of our Appropriations Committee, for since 1945 with the approval of Congress we have had a total of appropriations bills $173 billion below the recommendations of Presidents and billions below Mr. Reagan's requests.

We have supported an investment in America for many years. I was pleased to hear the President say, yes, we are going to invest in America. This administration is determined to encourage the creation of capital, capital of all kinds. Physical capital. Everything, from our farms and factories to our workshops and production lines, all that is needed to produce and deliver quality goods and quality services.

I agree with that statement. We need to recognize that investment spending lasts for years. We tend to charge it up to 12 months operation. This means we have to look at ways to distinguish investment spending which will last for years from other spending, the benefits of which last a few days.

I think we can all agree that we need to maintain a good transportation system to move our goods and commodities throughout the country and to our ports. Under Mr. Reagan when we saw a recession coming, we handled a jobs bill and stopped it.

Right now with some folks being let out of the military with papers full of cutbacks and so forth, you can't handle the debt we owe except by producing more than we need and selling and exporting more than we import, and I hope we can do that.

Mr. Chairman, I appreciate so very much this chance. This is a fine subcommittee, and I am glad to be a member of it.

GENERAL STATEMENT

Mr. LEHMAN. I thank the distinguished Chairman, the gentleman from Mississippi.

Mr. Secretary, at this time we will be pleased to hear your opening statement. You may read it in full, or if you prefer, you may summarize it.

STATEMENT OF THE SECRETARY

Mr. SKINNER. Thank you, Mr. Chairman, and members of the Committee, and Chairman Whitten, I am going to ask that the complete statement be made a part of the record and I will make some summary comments on it.

I am again pleased to appear before you with the Department's budget request for the fiscal year 1991, and I want to take a minute to compliment you for the care and commitment that you have shown the department in the last year.

I think that it would be unfair to say that our relationship is anything but outstanding. We disagree, but we disagree professionally on occasion, and the areas of agreement are much greater than the areas of disagreement. So, I look forward to working with the committee again this year as we develop this important budget.

I want to say that the spirit of cooperation that we have shown towards the committee, will continue as long as I am Secretary, and I know it will be mutual. As Chairman Whitten indicates, transportation does play an important role in advancing our country's goals for economic growth, global competitiveness, national security, and improved quality of life.

To support these goals, the country must confront a range of transportation needs: maintaining and replacing an aging infrastructure; providing sufficient capital to deal with congestion both in the air and on the ground; ensuring a safe, reliable, and energy efficient system that is sensitive to environmental concerns; responding to the travel needs of individuals and businesses and ensuring a cost-efficient system.

As President Bush has stated, such needs require us to invest now to improve the future, as well as current conditions. Last year I testified before this committee on the importance of a national transportation policy to help us address these national transportation needs.

We will soon unveil our policy in detail. However, this budget, with its increased emphasis on safety, infrastructure, research and development, increased state and local financing roles (through such means as passenger facility charges and increased reliance on user fee financing) is consistent with the objectives in our national transportation strategy.

BUDGET REQUEST

In the fiscal 1991 budget for the Department we ask this committee to approve $26.6 billion in appropriations and obligation limits. Our request is 8.9 percent above the President's budget request for fiscal 1990.

Compared to the enacted fiscal year 1990 level, the budget includes areas of significant increase in each mode, but especially for the Federal Aviation Administration, the United States Coast Guard, and the National Highway Traffic Safety Administration.

The areas of major reduction from 1990 enacted levels, transit operating assistance to large urban areas, Amtrak, and related railroad subsidies and highway demonstration projects are areas where the executive branch has consistently sought to reduce or eliminate federal involvement and to strengthen local or private funding responsibility.

Before I highlight the individual modal requests, let me summarize the major themes of the budget before this committee. We are requesting $1.6 billion for direct safety programs, an 8 percent increase over the fiscal year 1990 enacted level, needed to carry out the Department's responsibilities to ensure a safe transportation system. This includes inspection, search and rescue, safety grants to states, and aviation security.

Our request includes $18 billion or 68 percent of the Department's budget for programs directly supporting capital investment in highways, transit, and aviation infrastructure.

We are proposing a 10 percent increase over fiscal year 1990, $776 million, to support the Department's drug enforcement activities.

Our request includes $390 million for research and development programs, a 17 percent growth to prepare us for the future and to help us make the transportation industries even more competitive. This includes testing explosive detection equipment, assessing high speed rail systems, and promoting intelligent highway vehicle technology to improve traffic flow and highway safety—an area in which this committee has expressed a great interest.

$20.7 billion or 78 percent of the Department's budget would be financed from user fees, up from 68 percent in fiscal year 1990. We are proposing increased aviation fees and other fees in Coast Guard, railroad safety and commercial space transportation.

Let me touch on the significant requests for some of the modes.

FEDERAL AVIATION ADMINISTRATION

For the FAA we are proposing a budget of $8.3 billion, a 16 percent increase over the fiscal 1990 level. This includes $4 billion for aviation infrastructure, a 27 percent increase over fiscal year 1990. Over the next five years we propose a 78 percent increase in funding for aviation facilities and infrastructure compared to the past five years.

The centerpiece of the capital request for the FAA is $2.5 billion for facilities and equipment, a 45 percent increase over fiscal year 1990, to continue modernization of the nation's infrastructure and air space system and air traffic control facilities and to maintain certain equipment during the interim.

We are requesting $1.5 billion for airport grants. In addition, we are proposing to allow airports to levy passenger facility charges, which will generate additional funds for aviation infrastructure. We are seeking the advice of the select committee, that this committee directed us to establish. I am delighted to report that that committee has been established. It is operating and functioning. I anticipate they will be preparing a report for me to submit to you within the statutory deadline.

For FAA operations we are proposing $4.1 billion, a 7 percent increase over fiscal year 1990, including funds for increasing controller employment levels by 495 controllers, and adding 300 new safety inspectors and 164 security specialists. Included in this request are funds to continue the pay demonstration and training initiatives and to keep pace with permanent change of station requirements.

We are proposing that 85 percent of the FAA budget be financed from the trust fund in line with the civilian aviation use of the air space. The current user fee funds are not sufficient to support these spending requirements. Therefore, we are proposing that the current user fee rate be increased from 8 percent to 10 percent of the price of an airline ticket. Without an increase, the trust fund balance would be negative in fiscal year 1994.

COAST GUARD

For the Coast Guard we are proposing a $3.4 billion budget, a 6 percent increase over fiscal year 1990. This includes $229 million for marine environmental protection, a 7 percent increase over fiscal year 1990, and an 8 percent increase to $731 million for drug interdiction programs.

FHWA AND NHTSA

The proposals for the Federal Highway Administration and the National Highway Traffic Safety Administration continue our efforts to meet highway infrastructure and safety needs. The Federal-Aid Highways obligation limitation is set at $12.013 billion to continue the federal share of costs to maintain the physical condition of bridges and highways of national importance and to continue completion of the interstate system.

The budget also proposes $13 million to accelerate our role in new highway technology to address congestion problems. Federal Highways and NHTSA are jointly funding, in partnership with the private sector, the development of an advanced driver simulator to aid the improvement of vehicle crash avoidance capabilities and to enable us to consider human factors and safety needs in the development of an intelligent vehicle highway system. The budget includes $3 million to support this project.

For NHTSA, the federal fiscal year 1990 budget requests a funding level of $242.9 million, a $12.2 million or a 5.3 percent increase over the fiscal year 1990 level. In line with President Bush's commitment to reduce drunk driving, the budget proposes to double from $4 million to $8 million funding for incentive grants to states that adopt and enforce effective laws and initiate comprehensive drunk driving prevention programs.

URBAN MASS TRANSPORTATION ADMINISTRATION

For the Urban Mass Transit Administration our $2.3 billion request recognizes broad support for transit and seeks to focus the federal dollar on the most cost-effective use. We request $1.08 billion for formula grants for capital and operating assistance, but propose to eliminate operating assistance to cities over one million in population. Our proposal of $1.14 billion for discretionary grants would provide funds to help transit authorities address requirements to improve air quality, and to increase access to transit services for disabled persons.

FEDERAL RAILROAD ADMINISTRATION

For the Federal Railroad Administration we are requesting $69.6 million, including $6.1 million to expand our research efforts to determine the safety requirements for magnetic levitation and high speed rail technology. This would also encourage the development and manufacture of advanced Maglev transportation systems in the United States. We are also proposing to increase railroad safety inspector employment from 330 full-time equivalents to 361 in fiscal year 1991.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

For the Research and Special Programs Administration, our $27.5 million request will continue to support safety and regulatory efforts in pipeline and hazardous materials transportation, as well as other vital programs.

For the Office of Commercial Space Transportation, we request $4.5 million to support the regulation of this new industry as well as actions to encourage its growth.

In conclusion, let me say that I am convinced that the men and women of the Department of Transportation are hard-working and highly professional. Likewise, I am also convinced of the infrastructure needs of this country. Our budget request for fiscal year 1991 asks for the resources necessary to support DOT employees in their work and to address critical transportation issues of this country. I am pleased to discuss the budget with you in detail and answer any questions that the committee might have.

[The prepared statement of Secretary Skinner follows:]

OPENING STATEMENT OF THE HONORABLE SAMUEL K. SKINNER
SECRETARY OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
WASHINGTON, D.C.
FEBRUARY 8, 1990

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the Department's budget request for fiscal year 1991. Before we talk about the budget, I want to tell you how much we have appreciated the care and commitment you have given to issues of this Department and to the quality of transportation in the Nation. We look forward to continuing this spirit of cooperation in the year ahead.

Transportation plays a vital role in advancing our country's goals for economic growth, global competitiveness, national security and improved quality of life. To support these goals, this country must confront a range of transportation needs: maintaining and replacing an aging infrastructure; providing sufficient capacity to deal with congestion both in the air and on the ground; ensuring a safe, reliable and energy-efficient system that is also sensitive to environmental concerns; responding to the travel needs of individuals and businesses and ensuring a cost-efficient system. As President Bush has stated, such needs require us to invest now to improve the future as well as current conditions.

Last year I testified before this Committee on the importance of a national transportation strategy to help us address these transportation needs. We will soon unveil our policy in detail. However, this budget, with its emphasis on safety, infrastructure, research and development, increasing the State and local financial role through such means as passenger facility charges, and increased reliance on user fee financing, is consistent with our objectives in developing a national transportation strategy.

The FY 1991 budget for the Department asks this Committee to approve $26.6 billion in appropriations and obligation limitations. As the Administration's first full budget proposal, it lays the groundwork for improving the transportation infrastructure and pays particular attention to the resources needed for critical safety programs and for effective, efficient management of our responsibilities.

Our request of $26.6 billion is 8.9 percent above the President's Budget request for FY 1990. Compared to the enacted level for FY 1990, it is slightly below a 1.2 percent reduction after excluding $1 billion in emergency relief funds enacted in FY 1990.

Compared to the enacted FY 1990 level, the budget includes areas of significant increase in each mode, but especially for the Federal Aviation Administration (FAA), the U.S. Coast Guard (CG), the National Highway Traffic Safety Administration (NHTSA) and the Federal Railroad Administration (FRA). The areas of major reduction from FY 1990 enacted levels — transit operating assistance to large urban areas, Amtrak and related railroad subsidies and highway demonstration projects — are areas where the Executive Branch has consistently sought to reduce or eliminate Federal involvement and to strengthen local or private financial responsibility.

Before I highlight individual modal requests, let me summarize the major themes of the budget.

Safety

- We are requesting $1.6 billion for direct safety programs, an eight percent increase over the FY 1990 enacted level, needed to carry out the Department's responsibilities to ensure a safe transportation system. This includes inspections, search and rescue, safety grants to States and aviation security.

Infrastructure

- Our request includes $18 billion, or 68 percent of the Department's budget, for programs directly supporting capital investments in highway, transit and aviation infrastructure. Such investments are needed to maintain conditions as well as to expand capacity. This includes $4 billion for aviation infrastructure — a 27 percent increase over FY 1990. Over the next five years, we propose a 78 percent increase in funding for aviation facilities and infrastructure compared to the past five years.

  In addition to this direct Federal spending, we are proposing to allow airports to levy passenger facility charges which will generate additional funds for aviation infrastructure. In this vein, we are seeking the advice of a select committee which the committee directed us to establish.

Drug Enforcement

- We are proposing $776 million, a ten percent increase over FY 1990, to support the Department's drug enforcement activities, including $731 million to support the Coast Guard's role.

Research and Development

- Our request includes $390 million for research and development programs, a growth of 17 percent to prepare us for the future and to help make transportation industries even more competitive. Our request covers such critical areas as further testing of explosive detection equipment, assessing the safety issues of magnetic levitation and high speed rail systems and promoting intelligent vehicle-highway technology to improve traffic flow and highway safety, an area in which this Committee has also expressed interest.

Reliance on User Fees

- $20.7 billion or 78 percent of the Department's budget would be financed from user fees, up from 68 percent in FY 1990. Our user fee package includes increased aviation fees and proposals in Coast Guard, Railroad Safety and Commercial Space Transportation, all of which are critical to support the funding requests in this budget.

Let me now talk more specifically about the individual programs and funding levels proposed.

FEDERAL AVIATION ADMINISTRATION

For the Federal Aviation Administration, we are proposing a budget of $8.3 billion. This is a 16 percent, $1.1 billion increase over the FY 1990 level. The request, which parallels our reauthorization proposal, includes $4.2 billion for FAA's capital programs, a 27 percent increase over FY 1990.

The centerpiece of the capital request is $2.5 billion for Facilities and Equipment, a 45 percent increase over FY 1990. This request supports the FAA's comprehensive plan to modernize and improve the nation's airspace system and air traffic control facilities. It also provides funds necessary to maintain and expand current equipment in the interim. This significant increase is necessary to keep pace with the implementation of major projects such as the Advanced Automation System to upgrade air traffic control computers, and the Voice Switching and Control System to modernize the system's outdated communications network. We must also fund near-term requirements to expand capacity and support increased air traffic at several airport facilities. Finally, this request reflects the priority President Bush has placed on modernizing the airspace system which, I might add, is included as a goal in his Management By Objectives system.

We also request $1.5 billion for Airport Grants which, together with a reauthorization proposal to allow airports to collect passenger facility charges (PFC), will greatly expand the funds available for airport construction and other capacity projects. As part of this PFC proposal, airport grant entitlement funds that airports levying PFCs would forgo would shift to discretionary funding for capacity and other airport development projects. Additional funding is critical to meet increased airport needs —among the top 100 airports, 56 new runways are planned. New airports are being discussed for Minneapolis-St. Paul, Chicago, Atlanta and San Diego.

Finally, $190 million for Research, Engineering and Development, a 12 percent increase, is requested to address long-term aviation system needs and the more immediate needs of explosive detection, aging aircraft and human factors research.

For FAA Operations, we are proposing $4.1 billion, a seven percent increase over FY 1990, with funds included to support growth to 17,495 controllers, an increase of 495 over the FY 1990 expected employment level; 300 new safety inspectors for a total of 3,058; and 164 new security specialists for a total of 848 — a 24 percent increase over FY 1990. We appreciate the Committee's support for staffing increases requested in the past, and with continued projected growth in aircraft operations, we need further increases. Additionally, it is vital that we provide effective training and deployment. To that end, our budget includes funds to continue the pay demo and training initiatives and to keep pace with permanent change of station requirements.

I know that many on this Committee are advocates of greater use of the trust fund to finance FAA's budget. We are proposing that eighty-five percent of the FAA budget be financed from the trust fund consistent with civil aviation use of the airspace system. This heavier reliance on the trust fund for FAA support (versus 55 percent average in the past five years) together with increased spending for capital programs will reduce the trust fund balance. At the year's end, under our proposal, the trust fund's uncommitted balance would drop 16 percent to $6.4 billion compared to the projected FY 1990 level of $7.6 billion. By FY 1995, we anticipate that the trust fund's uncommitted balance would be cut by 53 percent to $3.0 billion.

The current user fee rates do not support the level of spending we believe is necessary to meet aviation needs. Without the user fee increase, the trust fund surplus would become negative in FY 1994. In order to provide a program increase of $1.1 billion for the FAA and increase the share of the FAA budget financed by the trust fund, the budget proposes to increase aviation user fees; the passenger ticket tax would increase from 8 percent to 10 percent of the ticket price and the fuel and freight waybill taxes would rise commensurately. These changes will add $623 million in new revenue in FY 1991. With expected growth in air traffic, trust fund revenues would increase by $960 million in total. These user fees are essential to meet the funding needs outlined in the budget. In fact, the budget proposes to increase outlays from the trust fund by $2.5 billion, $1.6 billion more than the increase in revenues.

U.S. COAST GUARD

We are proposing a $3.4 billion budget for the Coast Guard, a six percent increase over the FY 1990 level which included operating funds and services-in-kind from the Department of Defense. The budget includes increased funds for all of Coast Guard's missions. In particular, the budget includes a total of $229 million for marine environmental protection activities, an increase of six percent over FY 1990. This includes $7 million for a new environmental compliance and restoration account, established by the Coast Guard Authorization Act, targeted to Coast Guard facilities. Coast Guard's support for drug interdiction programs will increase eight percent to $731 million. The budget also proposes to collect $200 million in user fees associated with Coast Guard's services to the maritime community, primarily through the sale of a $25 decal which is a small price to pay for the critical safety services of the Coast Guard. As the Coast Guard celebrates its 200th birthday, we are also paying attention to the infrastructure that supports the men and women of this service. The budget provides $86 million for shore facilities, including $13.5 million, a 35 percent increase, to improve housing conditions.

FEDERAL HIGHWAY ADMINISTRATION

Our proposals for the Federal Highway Administration (FHWA) will continue efforts to meet highway infrastructure and safety needs. The Federal-aid highways obligation limitation is set at $12.013 billion, 6.2 percent above the FY 1990 President's Budget. This level will cover the Federal share of the cost to maintain the physical condition of bridges and highways of national importance and to continue completion of the Interstate System. Recognizing the importance of research as an investment in the efficiency of highway transportation, the budget proposes $44.1 million for highway sciences and technology research including $13 million to accelerate our role in promoting the development and use of new highway technology to address congestion problems. NHTSA and FHWA are also jointly funding, in partnership with private industry and academia, the development of an advanced driver simulator to aid the improvement of vehicle crash avoidance capabilities and to enable us to consider human factors and safety needs in the development of intelligent vehicle highway systems. The budget includes $3 million to support this project. We are also continuing our efforts to fight gas tax evasion and the budget includes $2 million in support of this goal.

For the Motor Carrier Safety program we request $41 million, an increase of 22 percent, which will allow us to complete the phase-in of the 185 new inspector and support positions authorized in FY 1990. We expect to increase the inspector work force by 52 percent over two years, from 291 FTE in FY 1989 to 366 FTE in FY 1990 and 441 FTE in FY 1991. We share your concern for strengthening enforcement measures with regard to motor carriers. Shortly we will be submitting to the Committee a report on our plans and efforts to improve enforcement.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

For the National Highway Traffic Safety Administration (NHTSA), the FY 1991 budget requests a funding level of $242.9 million, a $12.2 million, 5.3 percent increase over the FY 1990 level.

The $117.3 million request for Operations and Research includes funding to support vehicle and highway safety, and related research and analysis programs. Of particular significance is the expansion of a program to train law enforcement officials to detect drivers under the influence of drugs. By the end of FY 1991, this program will be implemented in 50 metropolitan areas. In line with President Bush's commitment to reduce the extent of drunk driving, the budget proposes to fund the Section 410 alcohol program at $8 million -- double the FY 1990 level -- for incentive grants to States that adopt and enforce effective laws and initiate comprehensive drunk driving prevention programs.

The $125.6 million obligation limitation request provides $114.6 million for Section 402 Highway Safety grants and $11 million for Section 408 Alcohol Incentive grants to States - the same level as provided in FY 1990.

URBAN MASS TRANSPORTATION ADMINISTRATION

Our $2.3 billion request for transit programs recognizes broad support for transit and seeks to focus the Federal dollar on the most cost-effective use, especially maintenance of the transit infrastructure. This request is 47 percent above the FY 1990 President's Budget. We request $1.08 billion for formula grants for capital and operating assistance but propose to eliminate operating assistance to cities over one million in population. The Federal subsidy in those cities averages less than six percent of total operating budgets, whereas for smaller cities, reliance on the Federal dollar is greater. Our proposal of $1.14 billion for discretionary grants would provide funds to help transit authorities address requirements to improve air quality and increase access to transit services for disabled persons. New starts funding of $398 million is limited to three projects with full funding contracts, and the second phase of the Los Angeles project for which a contract is expected to be signed. Funding for Washington Metro is $38 million, sufficient to cover management and construction costs planned for the 89.5-mile system and is consistent with the 1986 full funding agreement.

FEDERAL RAILROAD ADMINISTRATION

We are requesting $69.6 million for the Federal Railroad Administration (FRA) in FY 1991, which provides a funding increase of 24.7 percent for our three main operating programs. No Federal subsidy is proposed for Amtrak in FY 1991, given the budget constraints we face. While, Amtrak has made significant progress in increasing its revenue-to-cost ratio, it continues to run annual deficits of approximately $600 million. The Administration will work with Congress, Amtrak and other parties to determine how best to make Amtrak services even more cost-effective and to obtain needed capital in the private market. In other rail programs, we are proposing to increase railroad safety inspector employment from 330 FTE in FY 1990 to 361 in FY 1991. These staff increases are needed to help us carry out our responsibilities under the Rail Safety Improvement Act of 1988 and to ensure the safety of this vital transportation mode. We also request $6.1 million to expand our research efforts to determine the safety requirements for magnetic levitation (Maglev) and high speed rail technologies and encourage the development and manufacture of advanced Maglev transportation systems in the U.S. In certain areas, these high speed systems may offer great potential to help this country deal with congested travel corridors.

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Our $27.5 million request for the Research and Special Programs Administration (RSPA) will continue the support of our safety and regulatory efforts in pipeline and hazardous materials transportation as well as other vital programs. Our proposal includes funding for a total of eight additional safety inspectors for RSPA.

We are also proposing appropriation language as a General Provision that would allow the Department of Transportation to evaluate and consider alternatives which would enhance the flexibility of the Department regarding use of the federally-owned land surrounding the Transportation Systems Center (TSC). Such alternatives would include various approaches along the lines of a public/private partnership to expand research in transportation. However, the current statutory restriction prevents us from identifying and evaluating alternatives.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

For FY 1991, $10.7 million is requested to be appropriated, from the Harbor Maintenance Trust Fund, for operation and maintenance of the United States portion of the Seaway. Non-toll revenues estimated at $1.4 million will assist in funding those responsibilities. In FY 1991, the Corporation plans to complete its pilot study of the use of electronic data interchange on the Seaway and the evaluation of the structural stability of the two locks it operates.

OFFICE OF THE INSPECTOR GENERAL

I am a strong believer in the work of the Office of the Inspector General (OIG) and I know that the Committee from time to time seeks the counsel of the OIG. For this office, the budget requests $34 million, a seven percent increase over FY 1990, to support investigations and other activities to promote economy, efficiency and effectiveness of the Department's programs and to detect fraud and abuse. The OIG plays an important role in ensuring the integrity and efficiency of the Department's programs.

OFFICE OF THE SECRETARY

For the Office of the Secretary, we are requesting appropriations totalling $102.7 million, a 4.8 percent increase over the FY 1990 enacted level. There are several major components of this request.

We are requesting $23.6 million for Essential Air Service. Unlike past Administration budgets that proposed to eliminate funding, this budget proposes a 23 percent decline from the FY 1990 level and continues an orderly phaseout of the program over time. We plan to continue and tighten the subsidy eligibility criteria initiated in FY 1990, with the support and direction of this Committee.

For the Office of Commercial Space Transportation, we request $4.5 million to support the regulation of this new industry, as well as actions to encourage its growth. Commercial Space activity has been growing significantly, with launch activity increasing from two launches in FY 1989, to an estimated 20 in FY 1990 and in the range of 30 to 40 launches in FY 1991. Our proposal includes funding increases for safety research, licensing and inspection activities, and also industry analysis and research; all of which are needed to support this growing industry. We are also proposing to consolidate funding for these activities into a single account, as evidence of the growing importance of this program within the Department.

For Salaries and Expenses, we are requesting $60 million to support 620 FTE, a 1.6 percent reduction from the FY 1990 enacted staffing level, excluding the Office of Commercial Space. We appreciate the increased transfer authority of five percent enacted for FY 1990. However, we are requesting a lump sum appropriation for Salaries and Expenses. As I stressed throughout the discussions of the FY 1990 DOT Appropriations Act, office-by-office appropriations unduly limit our flexibility to direct resources, as necessary, to be responsive to issues as they arise. Given our good working relationship with the Committee I do not believe this constraint is justified, especially in light of the fact that only one other cabinet agency receives such treatment.

Once again we are proposing to repeal the spending cap on advisory committees. Advisory committees provide an important perspective on the issues facing the Department. However, the cap can cause significant constraints on the Department's ability to comply with statutorily authorized advisory committees — several of which have been enacted since the cap was imposed. I assure you that I am attuned to your concerns about the level of spending on advisory committees. In fact, I have directed a task force to identify advisory committees that could be terminated as well as other ways to reduce or control costs.

CLOSING REMARKS

In the past year that I have been Secretary, I have devoted significant time and travel to understanding the Department of Transportation — its people, its programs and the issues it faces. Be it at meetings with headquarters staff or through my travels out in the field at DOT facilities across the country, I am convinced that the men and women of the Department of Transportation are hard working and highly professional. As a result of the outreach, analytical and assessment processes that the Department went through in the course of developing our forthcoming National Transportation Policy, I am also convinced of the infrastructure needs of this country. Our budget request for FY 1991 asks for the resources needed to support DOT employees in their work and address the critical transportation issues of this country. I look forward to working with the Committee to respond to what I hope is a mutual agenda.

This concludes my prepared remarks. I would be pleased to answer the Committee's questions.

TRANSPORATION FUNDING PRIORITY

Mr. **Lehman**. Thank you, Mr. Secretary.

As we discussed last year, and as the following chart which you have before you, I assume, indicates, throughout the 1980's transportation received a much lower funding priority than most other government activities.

According to this data, which was contained in Passenger Transport, the transportation function ranked sixteenth of the 18 budget functions in constant dollar growth. Last year, you indicated that you believed that transportation should be given a higher funding priority.

You stated that "We have been paying long enough. I think it is time transportation got its share."

While there is some improvement in the transit area, this year's budget doesn't look that much different from those of the past five years. Why does the administration continue to give transportation such a relatively low budget priority, particularly in areas other than aviation? In my opinion and the opinion of many others, capital invested in transportation probably has one of the best multiplying economic effects of any part of our national economy.

Mr. **Skinner**. Well, thank you, Mr. Chairman. I agree with a good portion of your comments regarding the value of investment. Let me point out that with respect to other major budgets, looking at the President's budget for fiscal year 1991 compared to the fiscal year 1990 request, only one major agency exceeded our nearly 9 percent growth.

The budget we have presented this year, a total request including about $26.9 billion, is 8.5 percent more than last year's President's request, including amendments. Therefore, if you take into consideration the very difficult financial times we have ourselves in, along with the Gramm-Rudman-Hollings requirements, I think that in the OMB process the Department of Transportation's budget has done extremely well.

There are some areas like transit operating assistance, Amtrak and special interest projects where we disagree. If you factor those out and look at what the President requested last year versus what he requested this year, I think in these very tight financial times an increase of 8.5 percent is quite respectable and demonstrates the President's commitment to transportation.

Finally, Mr. Chairman, I would point out that while the budget does not take into consideration all of the needs of all the other areas, the President has demonstrated a willingness to address what I consider to be the most crucial area facing the country, and that is aviation infrastructure and the failure of the aviation system of this country to keep up with demand.

FUNDING COMPARED TO CURRENT SERVICES

Mr. **Lehman**. As you know and as we talked about, even taking out the supplemental on the earthquake assistance, it is still $2.5 billion under last year, compared to current services. As far as in the surface area, this is still a serious drop off from current services. I have to ask you again—are you satisfied with this level of funding considering your own national transportation policy?

Secretary **Skinner**. Well, Congressman, obviously anyone in my situation would have preferred to have substantial increase in funding in all the critical areas of infrastructure. I am satisfied that, number one, the administration is committed over the next several years to dealing with the problems of transportation infrastructure. This administration has shown good faith by the significant increases dedicated in this very tight budget year to the aviation infrastructure.

I would hope that an effective program this year and a good working relationship with the committees as we go through FAA reauthorization will lay the foundation for additional investments in infrastructure in the outyears. But I think, recognizing that all areas have to be ranked in priority, the administration has properly ranked the aviation area as the most critical and the most needing of immediate funding and they have acted accordingly.

TRANSPORTATION SAFETY

Mr. **Lehman**. Those priorities can be questioned, but we can work together on them. Mr. Secretary, in your confirmation hearings and in your statement to this Committee last year, you said your goal was to make travel safer, more efficient, and less expensive for the American consumer. What have you done during the past year to accomplish these goals and to what extent is travel safer, more efficient, and less expensive than it was at this time last year?

Secretary **Skinner**. First of all, let me say that we have issued a number of safety regulations in every mode. Our anti-drug abuse program, including the implementation of drug testing rules for both random and post-accident testing in all commercial transportation modes is, I think, a very significant step.

We have new safety rules dealing with commercial driver's licenses, the qualification of operators of commercial vehicles and trains, pedestrian safety around school buses, and pipeline inspections. Our inspection efforts have been increased for motor carriers, and the amount collected in penalities for 1989 was almost double that of the previous year.

For railroads, we are filling 34 inspector positions in 1990 and requesting an additional 31. For aviation, fiscal 1989 inspections increased 25 percent over fiscal year 1988. I would also say that we have requested and implemented programs to increase the number of air traffic controllers, safety inspectors and security inspectors.

The National Airspace System Plan, which this committee has always supported, is moving forward. This is a massive undertaking, which I believe will go a long way toward increasing the efficiency and safety of our aviation system.

Finally, I would be remiss if I did not discuss the very significant effort we have made in the area of terrorism in the aviation field. We have requested the implementation of Thermal Neutron Analysis devices. Two of those are currently installed and we will have a total of six installed by the end of this year.

We have mandated, with the assistance of the Congress, their implementation worldwide. We have taken steps to increase the detection and surveillance of explosives and personnel that might be carrying those explosives on U.S. carriers. We have asked for an analysis of foreign carriers' security plans across-the-board.

I have traveled to Europe on two occasions to discuss the problems of terrorism with my counterparts in foreign countries and will be making another trip in March. These are some of the areas that we have undertaken in safety, and I know I have missed and forgotten a number of others.

Mr. **Lehman**. To continue, probably the most notable events or notorious, I guess, that have affected transportation during the past 15 months have been the bombing of PanAm 103, the *Exxon Valdez* oil spill, and the collapse of the highway bridges in the San Francisco-Oakland earthquake.

While I know you, as all of us were saddened as anyone by these events, we all have a responsibility to try to prevent the recurrence of any such incidents. It is troubling, therefore, to read about delays in the installation of the TNA devices, that "bureaucratic squabbles" are holding up a six-month plan to station 27 U.S. security inspectors at 11 major European airports, and that the Alaskan Oil Spill Commission has concluded that the Coast Guard has "failed the American people in providing oversight of the country's oil transportation system", because of its "unduly friendly" relationship with the oil industry.

What assurances can you give us that steps are being taken to address these areas where we have had these recent transportation catastrophes and to prevent such disasters from occurring in other areas such as the transportation of hazardous materials?

Secretary **Skinner**. I would like to talk for a moment about aviation security, and then we will go into oil spills. If you want, I can bring you up to date on the spill that occurred off the shores of California yesterday. That will demonstrate the quick response that the Coast Guard has the capability of making, but let me first talk about aviation security. As you know, this has been a top priority with me.

I meet on a regular basis with the FAA personnel charged with that responsibility, and I have met with my counterparts in Justice and State, as well as other agencies. We are proposing in this budget a security work force of 848. That is an increase of 164 over fiscal year 1990, and that is three times the level we had five years ago.

This additional staffing will allow us to expand the use of federal air marshals on U.S. air carriers operating overseas, as well as to increase the level of foreign airport assessments by 6 percent. We are working with the State Department to increase permanent overseas assignments, and I expect a resolution on that as early as next week.

A number of positions have been approved, and personnel are in the process of being selected and moved to these locations. There are a few areas where we still don't have an agreement, but I am optimistic that given the President's commitment to this that we will have agreement shortly.

TNA DEVICES

Mr. **Lehman**. You mean the host countries?

Mr. **Skinner**. Yes. The host countries and the ambassadors. I anticipate meeting with Secretary of State Baker upon his return, in an attempt to finalize this. We have requested research funding for aviation security in the amount of $26.4 million, double the amount of funds we had in fiscal year 1990.

Let me talk for a minute about thermal neutron analysis. I am not an engineer. I don't pretend to be, but I think once I get into a problem I can understand it in lay terms anyway. I am convinced that no country and no organization in the world has done more, spent more time, or gone further in developing technology to detect explosives than the Federal Aviation Administration and the organizations it has worked with.

TNA is the state-of-the-art device. It is not perfect. We can no longer wait until we have the perfect device to implement this technology. It is very effective, and we are learning every day about how effective it can be. That is the reason we have deployed units in various parts of the world. The installation at Gatwick is expected in the not too distant future.

I am optimistic that all six units will be placed in this country and abroad by the end of the year. We have one at JFK that has been working very effectively, and we are leading the nation and the world in this area. There is much to be done.

Unfortunately some of the other countries who are affected by terrorism—70 percent of the attacks on air carriers are attacks on foreign flag carriers—have not spent the time and the effort that we have to develop this technology.

Threats to aviation security and terrorism, like the attack on Pan Am 103, are threats that are relatively new, and in many cases they are state-sponsored. We are optimistic that we are making great progress, and we will continue to make progress as we move forward.

OIL SPILL LEGISLATION

Mr. **Skinner**. On the oil spill, as the committee knows, we have proposed oil spill legislation, which would enable the Coast Guard and the Administration to take a number of very broad and new steps in dealing with oil spills in the future. I suggest that that oil spill legislation is very important, and I look forward to working with the committees as that goes forward.

The Coast Guard has held two interagency oil pollution research and development conferences to identify priorities, and 13 departments and agencies have cooperated.

The Coast Guard is reviewing the nation's major ports to determine the appropriate level of vessel traffic management, and where necessary will implement new services. We have asked for $12.4 million to enhance pollution enforcement, including reviewing oil spill contingency plans.

Finally, I have visited Alaska on four occasions. I think it is clear from every study that has been done that the primary responsibility to clean up at the initial stage and to ensure that a program exists in Alaska to take care of a spill falls with the oil industry and its Alyeska pipeline company and the State of Alaska.

There is no question the plan was inadequate. Given the remoteness of the area and the magnitude of the spill, I think when it is all over, we will find that, number one, as a result of the President's activity and the work of the United States Coast Guard, long-range environmental damage will be minimal.

Number two, the Exxon Corporation, at the President's insistence, has spent $2 billion in a period of six months to clean up the oil spill. They are committed to spend whatever is necessary and reasonable to make an additional effort this year.

We believe that when the weather breaks in the spring, and we have made that assessment, that effort will continue and be finished up. For anyone to say that there has not been a major effort by the Coast Guard and the administration as well as the oil industry has just not looked at the facts.

This is the largest clean-up effort in the history of an environmental disaster in this country, if not in the world. I think it is directly attributable to the fact that the administration worked out a plan with the Exxon Corporation to spend $2 billion in six months to assume their responsibility.

SAN FRANCISCO EARTHQUAKE

Mr. LEHMAN. Do you want to discuss the problem of the San Francisco earthquake disaster?

Mr. SKINNER. Thank you. The San Francisco earthquake disaster brought out, in my opinion, the very best of intergovernmental cooperation. This committee and other committees enacted legislation very quickly to deal with the financial problems. I visited California on several occasions after the earthquake and found that, number one, the working relationship between the federal and state governments and the private sector was excellent. The administration is given credit for making sure that the Federal Government moved everything that was necessary to meet the needs of California.

The state organization worked very effectively in meeting the needs of the people of California. The administration has received nothing but compliments from the governor and the mayors of the three major affected cities as well as other mayors.

In fact, as an aside, I was made an honorary citizen of the City of Alameda recently as a gesture on behalf of the people of Alameda for the administration's outstanding contribution to assisting. I think with the exception of small problems that exist in certain areas, the Federal Government and the State Government have gone a long way to clean up and deal with a very serious problem.

FOREIGN AIRPORT SECURITY INSPECTORS

Mr. LEHMAN. Of the 27 inspectors at foreign airports that are supposed to be assigned to 11 airports, how many of those inspectors are now employed and how many airports are now covered?

Mr. SKINNER. Well, we have a total of 41 that we would have stationed overseas through FY 1990, including 27 new ones.

How many of those are actually in place I am not sure.

Mr. LEHMAN. Right.

Mr. **Skinner**. I think we have reached agreement on most of those, and some of those have been selected and are on their way. Whether they are there or not I don't know yet, but we have some disagreements in certain cities.

Mr. **Lehman**. By correspondence to this subcommittee, could you give us by the end of this month exactly what figures you have?

Secretary **Skinner**. We will give you an updated report of how many are there, how many are on the way, how many have not been selected yet and how many we haven't even got agreement on yet.

[The information follows:]

In accordance with National Security Decision Directive No. 38 (NSDD-38), last September I formally asked the Secretary of State to approve assignment of 27 additional security positions in Europe and the Middle East, which would bring total FAA overseas security staffing to 41 positions. The Department of State (DOS) has agreed in principle to 34 overseas security positions, with final NSDD-38 approval expected shortly for all except one. Included in our request to DOS were seven support staff positions that FAA has elected to convert to local hires no longer requiring NSDD-38 approval.

To date, FAA has 14 authorized overseas security positions (with 12 people actually on-board). Once final approval is given by the State Department, we expect to have all positions filled, including local hires, by May, 1990.

Mr. **Lehman**. Do you know why it took so long to get that TNA device installed in the Miami airport?

Mr. **Skinner**. Well, we had to get agreement from an airline. We had to get agreement of the authority. We had to get certain regulatory approvals, and, I might add, we had to deal with the very important issue of insurance.

I don't have to tell this committee how complicated insurance gets today in the area of environmental issues. Insurance companies are very reluctant to assume responsibility in environmental concerns.

Mr. **Lehman**. Are you talking about workers compensation?

Mr. **Skinner**. No, I am talking about just risk to people. There is no risk to this machine. It is a completely safe machine, but because it is new technology, insurance companies are a little reluctant and carriers are a little reluctant to assume responsibility. It is on that basis that the insurance problems arose. Pan Am was not willing to install the device and take responsibility unless they knew they had insurance that covered it, and the insurance carriers wanted to know more. So, the early steps, I think, take time.

Mr. **Lehman**. Thank you. Mr. Coughlin?

Mr. **Coughlin**. Thank you, Mr. Chairman. I certainly want to join in welcoming the Secretary. In the short period of a year he has made his mark as an outstanding Secretary of Transportation and an outstanding member of the President's cabinet. It has been a pleasure to work with you, Mr. Secretary.

Mr. **Skinner**. Thank you.

DOT AGENCY BUDGET REQUESTS

Mr. **Coughlin**. You have also assembled an outstanding staff with whom it is a great pleasure to work; I congratulate you on that as well. You have handled some tough issues in bringing us this kinder and gentler budget. There is a major growth in the

FAA, as has been pointed out, and an extra billion in urban mass transit and money for essential air service.

The only things missing are a little over half a billion for Amtrak and UMTA, and some loose change for highway demonstration projects. But I guess we will take care of that here. As in past years, could you please update the chart showing initial modal budget request to the Office of the Secretary, the OST request to the Office of Management and Budget, and the President's request.

Ms. MOORE. We would be happy to provide that update.

Mr. SKINNER. You didn't want me to do it here, did you?

Mr. COUGHLIN. No.

[The information follows:]

DEPARTMENT OF TRANSPORTATION

FY 1991 APPROPRIATIONS & OBLIGATION LIMITATIONS
($ in thousands)

ADMIN & APPROP	A INITIAL MODAL REQUEST TO OST (JULY-1989)	B SECRETARY TO OMB (SEP-1989)	C PRESIDENT'S BUDGET (JAN-1990)
FEDERAL HIGHWAY ADMIN			
FEDERAL AID HIGHWAYS	[13,850,959]	[13,855,959]	[14,101,139]
[Obl Limitation]	12,350,000	12,350,000	12,013,000
GEN OP EXPENSE LIMIT	[305,125]	[275,479]	[264,470]
MTR CARR SFTY GRANTS	[60,000]	[60,000]	[60,000]
[Obl Limitation]	60,000	60,000	60,000
MOTOR CARRIER SAFETY	47,514	43,006	40,719
HWY REL SFTY GRANTS	[10,000]	[10,000]	[10,000]
[Obl Limitation]	10,000	10,000	10,000
HGHWY SAFETY R&D	[Note 1]	[Note 1]	[Note 1]
UNIV TRANS CTRS	0	0	5,000
Subtotal FHWA	12,467,514	12,463,006	12,128,719

Note: [1] Included in consolidated R&D program (Lim Gen Op Exp).

NAT HWY TFC SAFETY ADMIN			
OPERATIONS & RESEARCH	127,861	126,576	117,326
HWY TRAF SFTY GRANTS CA	[126,000]	[126,000]	[126,000]
HWY TRAF SFTY GRANTS	8,000	2,500	0
[Obl Limitation]	139,500	126,000	125,622
Subtotal NHTSA	267,361	255,076	242,948
FEDERAL RAILROAD ADMIN			
OFFC OF ADMINISTRATOR	18,796	16,265	15,807
RAILROAD SAFETY	39,639	36,480	36,500
RR RESEARCH & DEV	13,108	15,911	16,984
GRANTS TO AMTRAK	504,000	450,000	0
INT ON DEFAULTED DEBT	0	0	288
Subtotal FRA	575,543	518,656	69,579
(New User Fees)	[0]	[-18,240]	[-20,000]

ADMIN & APPROP	A INITIAL MODAL REQUEST TO OST (JULY-1989)	B SECRETARY TO OMB (SEP-1989)	C PRESIDENT'S BUDGET (JAN-1990)
URBAN MASS TRANS ADMIN			
FORMULA GRANTS	1,317,000	1,317,000	1,076,800
DISCRETIONARY GRANTS (TF)-CA	[1,400,000]	[1,400,000]	[1,400,000]
[Obl Limitation]	1,400,000	1,400,000	1,140,000
ADMIN EXPENSES	33,734	34,252	35,402
RES, TRA & HU RES	11,000	10,000	10,000
WASHINGTON METRO	63,000	48,000	38,000
Subtotal UMTA	2,824,734	2,809,252	2,300,202
FEDERAL AVIATION ADMIN			
OPERATIONS	4,738,821	4,527,300	4,087,700
FACILITIES & EQUIP	3,007,000	2,878,000	2,500,000
RES ENG & DEV	246,000	219,056	190,000
AIRPORT GRANTS TF-CA	[1,800,000]	[1,800,000]	[1,800,000]
[Obl Limitation]	1,800,000	1,650,000	1,500,000
LOAN GUAR DEF LIMIT	[75,000]	[57,000]	[57,000]
Subtotal FAA	9,791,821	9,274,356	8,277,700
U S COAST GUARD			
OPERATING EXPENSES	2,485,871	2,396,420	2,391,351
[BOAT SAFETY $ INCL]	[35,000]	[35,000]	[30,000]
AQUIS,CONSTR & IMP	972,100	822,600	419,536
ENVIR COMP & RESTRTN	0	0	7,000
ALT OF BRIDGES	7,353	6,353	6,353
[PROP LEGISLATION]	0	(6,353)	(6,353)
RETIRED PAY	451,900	451,900	437,300
RESERVE TRAINING	90,600	86,762	78,932
RES DEV TEST & EVAL	25,475	23,000	23,000
BOAT SAFETY GRANTS	[35,000]	35,000	30,000
[Obl Limitation]	35,000	0	0
POLLUTION FUNDS	35,350	0	0
[Obl Limitation]	[200,000]	[110,000]	[110,000]
Subtotal USCG	4,103,649	3,815,682	3,387,119
(New User Fees)	[-200,000]	[-200,000]	[-200,000]

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ADMIN & APPROP	A INITIAL MODAL REQUEST TO OST (JULY-1989)	B SECRETARY TO OMB (SEP-1989)	C PRESIDENT'S BUDGET (JAN-1990)
MARITIME ADMIN			
OPER DIFF SUBSIDY			
[LIQUIDATING CASH]	[313,570]	[313,570]	[261,200]
PROP LEGIS - LIQ CASH	[3,160]	[0]	[0]
PROPOSED LEGIS - CA	[1,742,860]	[908,240]	[0]
OPER & TRAINING	68,021	68,021	71,687
READY RESERVE FORCE	273,333	245,713	225,000
FED SHP FIN FND - CA	[0]	[0]	[0]
[LOAN GUAR LIMIT]	[200,000]	[0]	[0]
Subtotal MARAD	341,354	313,734	296,687
ST. LWRNC SEAWAY O & M			
Subtotal SLSDC	11,401	11,000	10,749
INSPECTOR GENERAL S&E			
Subtotal OIG	33,968	34,600	33,987
RES & SPEC PROG ADMIN			
RES & SPEC PROG	18,198	17,970	16,723
PIPELINE SAFETY	11,337	11,316	10,800
Subtotal RSPA	29,535	29,286	27,523
OFC OF THE SECRETARY			
SALARIES & EXPENSES	66,941	61,676	60,135
TRANS PLAN RES & DEV	9,047	6,753	4,047
OPER & RESRCH - OCST	5,255	4,896	4,517
PAYMENTS TO AIR CARR	25,400	25,400	23,600
WORKING CAP FUND	10,036	8,500	10,446
WRKNG CAP FND OBLIM	[160,703]	[157,100]	[146,809] 1/
Subtotal OST	116,679	107,225	102,745
(New User Fees)	[0]	[0]	[-700]
ICC - PROPOSED LEGIS	0	0	16,075
TOTAL APPROPRIATIONS	14,757,658	14,035,873	12,045,411
TOTAL OBL LIMITATIONS	15,794,500	15,596,000	14,848,622
COMBINED TOTAL	30,552,158	29,631,873	26,894,033

1/ The President's Budget appropriation language excludes the $10,446,000 appropriation request from the obligation limitation.

Mr. SKINNER. I didn't have all those numbers in front of me. I will say we have worked with the Committee. One of the things that is of concern to me, as I have expressed to the Committee, is the OST budget especially in the area of FTE's. I want to make sure this budget does not grow by a significant amount, including the number of FTE's, and I am looking for ways to hold it level or to decrease it.

I think the Secretary's office is at an absolute level if not a small decrease, so we are cognizant of the Committee's concerns in that area.

USER FEES

Mr. COUGHLIN. Mr. Secretary, let me ask, $20.7 billion or 77 percent of the fiscal year 1991 DOT budget would be financed by user fees, which is up from 67 percent in fiscal year 1990. The user fee package includes increased aviation fees, and proposals in the Coast Guard for $200 million, railroad safety for $20 million, commercial space for $200,000.

Will these be considered as part of an OMB-generated omnibus user fee bill or as individual pieces of legislation, and could you comment on their chances of approval, remembering the difficulty that Congressman Conte and I have had with a Coast Guard user fee bill over the years?

Mr. SKINNER. Well, let me say that on the user fee concept, this is a concept that I know the committee is more familiar with than I am. I fully believe that the user fees represent a unique opportunity for the Transportation Department and transportation users to pay directly for the infrastructure needs that they have and that they use. That is why the 85 percent goal that we are striving for in aviation, for example, which represents the general aviation, business, and commercial aviation use of the system, is the target to shoot for.

I think that there are problems that we have talked about on trust fund surpluses, but if in fact we used the 85 percent standard instead of relying on general revenue for aviation, we would find that the trust fund surplus would decrease significantly.

I think this does represent an opportunity to make major investments in the infrastructure of this country. I recognize it is not popular. I think this increase from 8 percent to 10 percent would go alone and not be an omnibus user fee bill. That each one would have to be dealt with in a separate bill, I think is realistic. And if in fact the people who use the system are as solid and vocal in their support for the user fee increase as they are to me about demanding that I do something about the lack of capacity, it will pass. It would be ironic for airlines and commercial and business aviation to come into my office and place as a top priority a need for increases in the aviation infrastructure and then to turn around and not support this bill.

We don't want user fees to be raised for anything other than aviation uses. The passenger facility charge concept, which this committee has asked us to review, is in our opinion an excellent way, without having to rely on the problems of trust funds and limited general revenue, to put at least a billion dollars a year into the aviation infrastructure of this country. I am optimistic that when people take a real good look at it and realize that the money will not only be raised from the industry, but will be spent on industry needs, that it will be accepted.

But any support, any and all you can give us, beginning today, would be greatly appreciated.

OPERATING VS. CAPITAL FUNDING ASSISTANCE

Mr. COUGHLIN. For some time now there has been talk in the transit community of major urban areas giving up federal operating aid for some increase in capital funding.

The fiscal year 1991 budget does away with operating assistance for cities over one million in population. Are there cities over a million able to spend that operating money for capital or do they just lose those funds?

Mr. SKINNER. Well, we have suggested that some of the funding that is left will be going into capital—about $100 million—would go back from the operating account to the capital account.

I do consider myself to be a little more versed in this issue than others because of my past experience. I have been in this very room in my earlier life as Chairman of Chicago's Regional Transportation Authority suggesting that the administration approach in the 1980's was the correct approach. We have got to get the major operating entities in the country off of reliance on Washington for their operating assistance.

They have got to deal with the operating problems. Our role in the surface transportation areas as it relates to mass transit has to be in the capital area. This budget does that. I recognize this committee has disagreed and, Congressman, you have been very supportive of that program.

I suggest that we are really not doing these major agencies any service by continuing to hold out to them the hope that we are going to solve their operating problems in Washington. They have got to deal with the hard decisions on which service to offer, which service not to offer, what rates to make, and what changes to make.

It is very interesting what happens, and I just refer to what has gone on in Chicago recently, in the last two weeks. The Chicago budget was passed; they drafted and began to implement service cuts, with no fare increase.

The community became quite alarmed and insisted from the north and to the south that these cuts not take place. As a result the board is now making the hard decision of raising fares to ensure that the operating needs are met. That was the give and take within the community.

If they can look to Washington for operating assistance, that eliminates the need for that very necessary give and take. I am optimistic that we will move forward in weaning the major systems away from this operating assistance and any monies that are left over would be transferred from operating to capital accounts.

TRANSIT FUNDING SOURCES

Mr. Coughlin. The American Public Transit Association Task Force 2000, which has spent the last two years studying what is necessary for the nation's public transit industry, suggests that of $12 billion spent on transit in 1981, the Federal Government gave 40 percent, and of $16 billion spent in 1987, the Federal Government gave 20 percent, but there was a 100 percent increase by states and a 50 percent increase by localities.

What do you think the right mix of federal, state and local transit assistance is?

Mr. Skinner. Well, we are moving in the right direction. I think it is very important that state and local governments assume a greater role of the transportation infrastructure funding. I think it is warranted for several reasons. Number one, when local taxpayers have their monies at risk, they pay more attention to how that money is spent.

Operating agencies that are managing capital projects are more careful because of that accountability, If they think they have a blank check or this is extra money from Washington, they don't pay the same amount of attention, so I think it is long overdue that we place greater responsibility on them.

Interestingly enough, most of these state and local organizations are assuming this responsibility. Eighteen states have raised their user fees in the last several years. The State of New York has begun a three-phase program of almost $25 billion in its transportation infrastructure, which was in bad need of repair.

In California they are making major efforts, and we are now seeing projects where the federal funding is less than 50 percent rather than 80 percent.

I think a good goal on many of the projects that qualify for federal assistance is a 50/50 share. I think most of the grants we have been making in the discretionary area have had a 50 percent local share. That is the kind of a goal we have been striving for, and we are slowly getting there. There may be some projects in some areas, not only in mass transit, but in highways, that may require a greater federal share than the 50 percent, but in some areas I think there may be a greater local share.

V-22 OSPREY TILT WING AIRCRAFT

Mr. Coughlin. Let me yield to other members in just a minute, but let me ask one question that is on an entirely different subject. I wondered if the Department of Transportation had any opinion on the commercial use of the V-22 Osprey tilt wing aircraft. I guess my concern is as I look at the lack of funding for this in our military budget, as sure as God made apples, the Japanese are going to buy our technology and we will end up buying it back from them.

I wondered if you could comment on that.

Mr. Skinner. Are you asking that as a member of the committee or as an ex-Marine?

Mr. Coughlin. I am asking you as both.

Mr. Skinner. The V-22 technology has reached a point, as you know, where it will have, six ships in deployment. The technology as it currently exists does not appear to be an effective commercial vehicle.

The feeling always was within the Department of Transportation, and the Federal Aviation Administration that if we developed the technology at a very high level and developed the production capability, that technology could then be used in an expanded version in the civilian side.

Unfortunately, we have not yet been able to get that deployment. That means that the private sector or the Federal Government from the civilian side will have to assume a greater role in the funding of that technology at an earlier stage than anticipated.

I think the technology probably makes sense if it is cost-effective. Whether it is going to be cost-effective without a military procurement remains to be seen. I firmly believe that if we had big ships that could haul 60, 70, 80, 90 people to downtown centers, we could alleviate much of the aviation congestion in this country, but right now I don't see that technology being developed by the government.

Mr. COUGHLIN. Can you envision a scenario where we sell that technology to the Japanese, only to have to buy it back from them later on after investing in it?

Mr. SKINNER. I assume the people who developed the technology are going to look for opportunities on foreign shores. My guess is those companies will joint venture with either Pacific rim countries or European countries for the technology and then it will be sold worldwide.

That is not as good as having it all developed in this country, but it does seem to be a concept that is taking hold, whether it is V-22 or new airplane engines or new aircraft and air frame programs. I would prefer that it all be done here, but if it can't, I think a meaningful joint venture is not out of the question.

Mr. COUGHLIN. Thank you, Mr. Chairman.

I do have other questions, but let me yield.

Mr. LEHMAN. Thank you, Mr. Coughlin.

Mr. Carr.

Mr. CARR. I would pass in favor of Mr. Durbin, who was here before I was.

Mr. DURBIN. Thank you, Mr. Chairman, my colleague, Mr. Carr.

Mr. Secretary, I am sorry I couldn't be with you when you recently visited my district. I would have loved to have had breakfast with you and Lieutenant Governor Ryan, but other things kept me busy and I couldn't join you.

Mr. SKINNER. I am going to back this weekend if you want to go back again.

SMOKING BAN ON AIRCRAFT

Mr. DURBIN. Let me know where you will be. If I compute correctly, on February 25th the law we passed last year which will virtually ban smoking on airline flights across the nation will go into effect.

By my computation some 22 or 24 flights were exempted from that law. Some of the airlines, such as Delta have voluntarily put their flights into the program regardless. I think we are down to about 15 or 16 flights a day in the continental United States that will not be covered by this new law.

I have spoken to Mr. Reser on your staff, and I would like to share with you a concern which some of us have that the public be informed of this change. I think that will help it come about smoothly, and that we will have the kind of transition we had several years ago when we instituted the two-hour smoking ban.

Can you tell me what action is being taken by the Department to implement this new law and to alert the public to this change? I might say parenthetically we were disappointed a few weeks ago in calling many of the airlines and finding that they had not changed their airline reservation system. It was still possible to book a smoking flight after the effective date.

I think that is being changed as we speak, but I wonder what else is being done that you can tell us about today.

Mr. SKINNER. We have two rulemakings to implement the ban. The first rulemaking which is an interim final rule by the Office of the Secretary is on display at the Federal Register this morning. This rule amends the department's smoking rule to implement the statutory ban. In addition, it continues other protections.

The second rulemaking, which is a final rule, would amend the FAA rules to implement the statutory ban on specific flights covered by the prohibition. It is our experience that with the current two-hour smoking ban that passenger briefings before take-off with the no-smoking signs, which now will be lit at all times on all of these flights as mandated by the FAA rule, will inform the public about the smoking prohibition.

I also think that this issue has gotten a tremendous amount of publicity over the last several weeks, thanks to you and your associates in this Committee and from Members of the Senate. I think very soon we will be getting additional information out on it and I think the media will be covering it. We, of course, to some degree have deferred to Members of the Senate and the House who have been very effective in communicating to the public this ban.

Mr. DURBIN. May I invite you to suspend your deference to join us. I think as many voices raised as possible will be helpful in this regard.

On a related issue, can you tell me whether or not the inspection of smoke detectors on aircraft, particularly in the lavatories is continuing. That is one concern that has been expressed by many.

That is an area where I think we have a genuine fire hazard and we have to make certain that the smoke detectors on board are functioning and that they are being inspected regularly.

Mr. SKINNER. I will have to get that. I assume it is, and we are taking steps to make sure the ban is enforced. It was not a major problem with the two-hour ban. This one is obviously more significant, but we will get back to you within the next day or two on that issue.

AIRLINER CABIN AIR QUALITY STUDY

Mr. DURBIN. Have you released the report on airline cabin air quality or is that coming out soon?

Mr. **Skinner**. It is completed, and I anticipate that I will be forwarding it to the House and the Senate within the very near future, probably before the ban goes into effect. Without giving it away, I will just say that there is nothing in the report that is inconsistent with action that this committee has taken.

Mr. **Durbin**. Thank you. There are many people who are up in arms and objecting to the increases in the aviation taxes that have been proposed in your budget?

Mr. **Skinner**. Not you, I hope.

AVIATION TRUST FUND SURPLUSES

Mr. **Durbin**. I have been very circumspect on this issue. Some have suggested that with a balance of over $7 billion in the aviation trust fund that these increases are unwarranted. Could you comment on that, and in your comments, also include your position on the penalty provision which we have had to work long and hard to deal with here on Capitol Hill?

Mr. **Skinner**. Well, I think the trust fund is to some degree misunderstood. First of all, the trust fund has a surplus which would continue if you assume we are going to continue to fund aviation out of general revenues. I don't think that is valid—I would like to see this Committee do away with that assumption.

If, in fact, we were to fund the operations of the aviation system of this country from the funds provided by the users at an 85 percent rate, which is the non-military rate, there would be no surplus in the Trust Fund within two years or three years.

If, in fact, we are going to continue to rely on general revenues, then there is a surplus. I would point out that in this year's budget we have increased the funding by increasing the amount going into the Trust Fund due to raising the ticket tax from 8 percent to 10 percent. Even so, the amount of monies going out of the fund are greater than the amount of revenues going in and we are making some progress toward reducing the surplus which is the President's pledge.

I think we have to answer this fundamental question as to how we are going to fund the aviation system of this country in order to determine what the true balance of the Trust Fund is.

I think we are wrong to assume we are going to fund it with general revenues, given the demand on general revenues, when there is a user fee available.

I assume that issue will be discussed by the Committee, and I would expect a very, very active discussion of the Trust Fund and its role in the next reauthorization.

HIGHWAY SPEED LIMIT AND FATALITIES

Mr. **Durbin**. There has been a checkered history and a lot of national debate as to what extent the Trust Fund should be held liable.

If I could move to one or two other topics quickly. Before your tenure as Secretary of Transportation, many of us joined in the effort to increase the speed limit on interstate highways to 65 miles an hour. It was welcomed in many sectors.

There are those who cautioned us that this would increase the number of fatal accidents on these highways. Reports we received from the National Highway Traffic Safety Administration suggested the states that have raised their speed limits have experienced a 30 percent increase in highway fatalities.

This isn't the case in every state. I am happy to report in our home state of Illinois, the fatality rates have gone down.

Some, such as the Illinois Secretary of the State, claim it is because of more careful enforcement of speed limits and DUI laws.

I wonder now, if we should take another look at this issue and determine whether or not we are holding states to a high enough standard in enforcing existing 65 mph speed limits, and perhaps, if necessary, caution, warn or penalize those states that aren't making an effort to bring down this increase in fatalities?

Mr. **SKINNER**. On the 65 per mile an hour report, I felt I had the responsibility to tell the Congress what we were finding. We were careful to point out when we issued that report that there was nothing you could conclude other than to say there were things we ought to inspect and discuss further.

In April in Chicago, I will be hosting the first traffic law enforcement summit which will call together 170 law enforcement administrators from states, counties and municipal agencies. I expect the highway patrol chiefs from all 50 states to be present as well as 25 county police chiefs.

We are doing this in conjunction with the International Association of Chiefs of Police. One of the issues that will be discussed, in a summit-type format, similar to that that the President used at the educational summit in Charolettesville, is what is really responsible for this increase.

When I raised this in one of our national transportation policy outreach sessions in Sioux Falls, South Dakota, I got back from the highway safety official in that state a detailed analysis of every accident that occurred and why it had occurred. In most cases he was able to prove that speed was not the contributing factor.

That doesn't mean we don't have to do something about the speed limit and the enforcement of it. In September I sent a letter to all the governors asking for their strong support. A number of governors have responded and have increased their attention to the program and the enforcement program.

I think if we can continue to show the importance of enforcement of the 65 mile an hour ban or limit, we can do a lot more than we are doing.

I think states are moving in that direction. With the two days we will spend on highway safety issues with the top highway safety agencies in the country, we should get increased awareness.

EXXON OILSPILL

Mr. **DURBIN**. Thank you.

My last question relates to the Exxon oil spill.

You indicated that Exxon spent about $2 billion in oil spill clean up. I visited that site.

I know you have been there several times. I went after your initial visit to see what was being done.

You have indicated that Exxon will be returning to do more work this year. I am happy to hear that because I think there is still much to be done.

You talked about the book being finally written on this disaster. When this book is finally written, as you have said, how much of the cost of clean up for this accident will be shouldered by the United States taxpayers rather than by Exxon?

Mr. **SKINNER**. One of the pluses in the budget this year is that we were reimbursed some $20 million from the Exxon Corporation for expenses that were made last year by the Coast Guard and reimbursed this year.

The Department of Defense has been reimbursed, I think, for virtually all of their expenses.

That $2 billion includes the reimbursement to the Federal Government for most, if not all of the expenditures that were expended in Alaska on behalf of the oil spill effort.

In addition, Exxon has expended some $1.5 billion plus, of their own monies for their work force which approximated 12,000 people at its peak.

Exxon was the biggest single employer with one exception in the State of Alaska last year with their 12,000 employees. The Federal Government will not end up paying a significant amount for the clean up effort.

OIL SPILL LIABILITY FUND PROPOSAL

Mr. **DURBIN**. We were fortunate in one respect, of course, no one wants to see a disaster, certainly not one of this magnitude. But we were fortunate in the respect that the company involved could spend $2 billion and continue doing business. I don't know what the situation is in Huntington, California, or what the experience has been in other places.

Do you feel confident at this point—you are reviewing the language that is still on the Hill, I am sure—that the oil spill liability fund will be sufficient to guarantee that, if the next tanker that ruptures is owned by a company without these assets, the U.S. taxpayers will not be left holding the bag for the company's mistake?

Mr. **SKINNER**. If the Exxon Corporation had not stepped up to the plate, we would have had to come back within days to the Congress for an emergency appropriation of $2 billion to deal with the clean up effort.

Under the legislation that is proposed, we are talking about a billion dollar cap, with a billion to go further and a replenishable fund. I am optimistic that with a new oil spill fund, funds will be available to take care of the problem if, in fact, a responsible party doesn't show up to take responsibility.

However, if we end up paying for all of the expenses, then the fund will never be available to pay for the oil spill.

There are a lot of issues left. I look forward to advising the committees as they go to conference on it.

Mr. **DURBIN**. Thank you, Mr. Chairman.

Mr. **LEHMAN**. Mr. Conte.

TRANSPORTATION DISASTERS

Mr. **Conte**. Thank you.

I want to join the Chairman and others, Mr. Secretary. It is a pleasure to have you here again.

I think you have done an excellent job during the past year. I know it hasn't been easy.

I can't remember—and I have been on this Committee since the Transportation Agency was founded—when there have been so many transportation crises one right after another, from the Pan Am bombing to the Eastern strike, the oil spill, the California earthquake and Hurricane Hugo, just to name a few.

I think you have handled all of them extremely well. You even had to contend with a fire in your department over the holidays.

Mr. **Skinner**. Christmas Eve, no less.

Mr. **Conte**. I think you have truly earned the nickname of "Master of Disaster."

I want to commend you for the great team you have assembled for all this good work. Has it lived up to your expectations?

Mr. **Skinner**. We have had, I think, a very effective year. I think we have a lot to do.

We have an unfinished agenda I am looking forward to completing. I hope it won't include all disasters.

This morning about 4:00 in the morning I wasn't so sure with the Huntington Beach spill.

NATIONAL HEAD INJURY FOUNDATION

Mr. **Conte**. A nickel and dime—I even hate to ask you the question. We put $150,000 in the FY 1990 Conference report for the National Head Injury Foundation for a head injury prevention program. They are doing a darned good job at the injury foundation with research and prevention work on head injuries.

For some reason or other, I don't know why, your Department's National Highway Traffic Safety Administration could not release $150,000.

Mr. **Skinner**. Well, I am not sure—I will check it out.

Mr. **Conte**. I hope you will check it out and get it resolved.

Mr. **Skinner**. That was not a question I am prepared for. We will get back to you by the end of the week.

[The information follows:]

Conference Report 101—315 (which accompanied the Department of Transportation and Related Agencies Appropriations Act, 1990) indicated that "$150,000 of previously available funds for injury control grants shall be used for an injury control grant to promote education and public awareness of measures to prevent head and bodily injury." The funding referenced by the earmark is not available because it was provided previously for injury control grants in FY 1989, including grants to the National Head Injury Foundation.

The National Highway Safety Administration (NHTSA) has awarded a grant of $135,116 to the National Head Injury Foundation. This includes $94,370 awarded in FY 1989 (on August 4, 1989), and an increase of $40,746 provided (on January 5, 1990) from the funds still available at the beginning of FY 1990. The grant to the National Head Injury Foundation is for a research project to study the effects on families after one family member has suffered a severe head injury. (The effects to be studied include the use of "caregiver" services, economic impacts, and changes in lifestyle).

With regard to future funding, NHTSA encourages the National Head Injury Foundation to submit proposals for appropriate projects. In addition, NHTSA has encouraged Foundation staff to contact CDC about possible CDC projects where the Foundation may also submit proposals.

OIL SPILL STRIKE FORCE

Mr. CONTE. In the Coast Guard budget request there is $7 million for the oil spill strike force equipment for two additional strike teams. I may be wrong, but I don't see money in there for personnel for these two teams.

Ms. MOORE. We do have funds for the equipment for a total of three teams. There would be an allocation of existing staff to that purpose. It is not an incremental add on of personnel.

Mr. CONTE. I see.

Mr. SKINNER. As you know, Congressman, we now have two strike teams. We had both the Atlantic and Pacific strike teams in Alaska.

Then we had three spills on the East Coast and all personnel had been dispatched to Alaska.

We had to bring in new personnel. We had a spill in Houston at the same time. At one time we had to deal with Alaska, the Atlantic Ocean spills, and then the Houston spill.

So we do need more strike forces.

ALASKA OILSPILL

Mr. CONTE. The last time I went to Alaska, I thought things looked pretty good. There is some things you really can't see. You are out, and it looks like everything is cleared up.

Yet, I was exploring the shoreline's bottom. Every once in a while you would step on something and a white oil circle would come up from the water.

You wonder how much of that is deposited down on the floor.

Mr. SKINNER. A lot of money is available to study it.

I think the environmental studies that are underway as well as those that will be undertaken this year will give us a long term assessment.

I don't think we can underestimate the impact that the environment and the water this winter will have on the spill.

From what we have seen so far, nature will be doing a great deal of our work this winter. I think when the snow breaks and the ice melts, it will be significantly different than it was last fall, and improved. We will have to wait and see.

AMTRAK AND RAIL TRANSPORTATION FUNDING

Mr. CONTE. My main concern with the budget request, and I am sorry I had to step out, but maybe the question has been asked. If it has, then we can forget it.

My main concern is with how the lack of rail funding might reflect on our national transportation policy. There is a lack of rail infrastructure.

I agree with the President's emphasis on improving the transportation infrastructure. But, I think there is a big oversight in the solutions here.

There is no funding in here for rail transportation, nothing for Amtrak, nothing for the Northeast Corridor, which we have been working on for all the years I have been in Congress, nothing for local rail service.

I am really disappointed. You said here last year with regard to Amtrak, you "read Congress' lips". Do you still?

Mr. **Skinner**. Maybe I should have said I can "read Congress' lips" most of the time. Let me tell you where we stand on Amtrak and passenger rail.

First of all, there is some additional funding in the area of railroad safety.

The question is now what is really the future of Amtrak. Does it have a future? If it does, where is that future?

Many would argue that Amtrak is really two organizations.

Number one is a commuter organization in the Northeast Corridor between Washington, New York and Boston. The other is kind of a tourist organization, much the same way as a cruise line in other parts of the country.

It is quite clear that right now, even though Graham Claytor has done a very significant job in improving the Amtrak recovery rate there are a number of impediments to further progress.

This year we will be examining all those impediments to see whether or not with their removal we can get Amtrak to recover outside the Northeast Corridor, at least, some of those expenses. If some of those changes are made I think you could.

Then the question would be what is the infrastructure role with mass transit and how does that interact with Amtrak? Amtrak claims they are paying for right-of-ways that commuters benefit from more than Amtrak, and that is a disparity.

Amtrak would argue that as an organization that is affected by a number of antiquated work rules and liability laws, they are spending a substantial portion of their revenues for additional costs not consistent with a productive economy and not consistent with their competitors' costs.

I think this year we are going to be looking at a lot of those issues. The Administration feels that without a clear plan to show that Amtrak can become self-sufficient, and without a compelling reason for a major subsidy, a major subsidy should not be warranted.

The time has come to face up to the issues, and that is on our agenda for this year. Until then, I think you will find the Administration's position on Amtrak will be that it is capable, with certain changes, of becoming self-sufficient, and that we should encourage Congress to do everything they can to help Amtrak become self-sufficient, including changing some of the rules under which they have to operate.

Mr. **Conte**. I agree with some of those statements. I helped Amtrak when it first started with the amount of subsidy we put into Amtrak.

It was unbelievable. Now they are almost there.

They are pretty darned close to the threshold. I just worry that if we don't make the capital investments at this time in Amtrak in order to eliminate the need for federal subsidy, by the year 2000 we are going to regret it.

I think if we make those investments now, by the year 2000 Amtrak will be in the black and not looking for any subsidy. Some of the changes you may come out with in the next year in your studies will help them.

I don't think at this point here we should be cutting out Amtrak and zeroing it the way we are doing it in this budget.

I am also concerned about the infrastructure improvement on the Northeast high-speed rail service between Boston and New York. We have been working on that for a long, long time.

With LaGuardia congested the way it is, with National Airport congested the way it is, with Boston Logan Airport, now they don't even want private airplanes. I got involved in that one last year.

Logan wanted to charge so much that private airplanes couldn't fly into Logan. I tell you rails are going to be damn important.

Mr. **Skinner**. I think what you say is absolutely correct about the Northeast Corridor. Mr. Claytor and a board member will be going to Sweden soon to look at high-speed rail technology that might be deployed within the near future on an experimental basis.

There is no question in my mind that if you want to get to New York and meet a schedule and you are going from Washington to downtown New York, it is less expensive and more sure to go by Amtrak than by air.

If you consider the crosstown traffic even from LaGuardia, Amtrak is the way to go.

I think we will be encouraging that.

Mr. **Conte**. You hit it right on the head.

I have consumed enough time.

Thank you, Mr. Chairman.

DEFENSE REDUCTION-IMPACT ON ECONOMY AND EMPLOYMENT

Mr. **Lehman**. Mr. Whitten.

Mr. **Whitten**. Thank you, Mr. Chairman.

Mr. Secretary, I think you do a good job. I know this Subcommittee through the years has done a great job.

Yesterday we had an overview hearing of the whole budget. We studied the whole thing.

Perhaps, you know I have been on Defense Appropriations since 14 months after I came here. Recently we have noticed what we were bound to see. That is a pull back in Europe.

The President asked for a reduction of 120,000 servicemen in Europe. We see in the papers day after day now the cutbacks in production and in employment throughout the country.

In 1983 Mr. Reagan recognized what was happening to the country in the way of a down drop. He came to our Committee, he recommended a jobs bill.

I brought together through the subcommittee chairmen all the things that had been requested but not financed. Using that as an illustration, we passed the jobs bill which went into every community all over the United States, and we stopped the recession.

It is evident now that military is going to be scaled back. When bases are closed and when they are scaled back, it is suggested that we look to probably a restoration of revenue sharing with over 39,000 American tax units benefiting 40 at the local level. That worked for 14 years.

It was reinstated by the legislative committee and the Appropriations Committee but we were not allowed to move it.

It is time we wake up to what is happening, in my opinion, and that we be ready to provide productive jobs which add to the wealth of our country when these folks are left unemployed.

It is so evident to me and evident to the Committee.

I pointed this out yet in an overview hearing. At that time I pointed out something I would like to read into the record.

"Some years ago after a hearing on the request for funds for the war production board, the board set up to increase U.S. productive capacity sufficient to meet our needs in the event of war with Russia." I was walking with the Director Joe Fowler, Henry J. Fowler, the Secretary of the Treasury.

He had this to say, he said, Jamie if I were in charge of Russia, I would declare five years of peace. He said, just think. If we were to call all our servicemen home, if we were to cancel military contracts and all the related industries folded up, we would have the doggonest depression we ever saw."

This was a disturbing statement. I did know we had good times, more cars than we could park, more clothes than we could wear and more of just about everything. I could see what he was talking about.

Yet, I would not believe we had to have a war, or preparation for war to have domestic prosperity. I then realized that war or preparation for war was not necessary for prosperity, that it was the extra effort which created prosperity; that if we were just smart enough to expend that extra energy in improving our country, building our roads and highways, renewing our bridges, building our schools and public improvement.

Whereas in war, preparation of war, we use up our metals, wood, our fuels and all the rest, and end up a poorer country in material wealth.

That is about where we stand today.

The point of it is not before us. What position are you in as Secretary of Transportation to open up this type of thing if we do have such unemployment that we have to turn to productive investment spending? Unfortunately, we have bad rules on our Committee.

Whatever we do may last for 100 years. We charge we need to make a difference in counting investment when it would last 100 years. That is our problem.

But I mention this to you in the hopes that you will take a look at this and not tell me now that we might be ready in the transportation industry, including your department, to meet this need. To me, and most of the folks know, when you read the papers and see how this automobile plays and that automobile plays—it would be a whole lot better instead of preying on employment compensation to be ready for public investment.

I hope you will keep that in mind. It is so evident that we face a period when we are going to have as many people in need of employment.

We better give thought as to how we can employ instead of paying unemployment compensation.

Mr. SKINNER. The economic report of the President was not quite as pessimistic.

Mr. WHITTEN. It is not pessimistic. It is realistic. You just see it right and left. I am not talking about off the top of my head. I have been on Defense since 14 months after being on the Committee.

I met with all the folks in the Pacific and in the Atlantic, just back from two weeks in London, Norway and the rest of them.

They want us to keep our presence there, but there is no way in the world for us to fail to realize that the world has changed. We better be prepared to put it in investment, worthwhile spending to make a richer country than to just pay it out in unemployment compensation.

Thank you for letting me have a chance to say it.

It is something we need to give thought to.

Thank you, Mr. Chairman.

Mr. LEHMAN. You didn't have to read his lips.

Mr. Carr.

EPA ON-BOARD RECOVERY REGULATIONS FOR AUTOMOBILES

Mr. CARR. Thank you, Mr. Chairman.

I just have a couple of short, easy questions.

The first thing I would like is a short synopsis of what I think I already know, are your views on the particular issue with respect to the proposed EPA on-board recovery regulations for automobiles?

Mr. SKINNER. I had no experience with this issue until I became Secretary. It became clear to me that it was very controversial.

I directed the National Highway Traffic Safety Administration to contract with an independent, unbiased, unprejudiced consulting firm to give us an honest appraisal of this situation and whether or not there were risks.

That organization, A.D. Little, has reported back. They have indicated to us that they do think there are significant risks with onboard vapor recovery systems and that the safety concerns have not been satisfactorily resolved. To quote A.D. Little, which was directed to give me a report whatever the results, is that there is adequate evidence to support the position that there are indeed potential safety risks associated with on-board systems.

It is too early in the development process to completely assess risk. Given that, we believe that Stage 2 recovery is appropriate and it should be done at the pump, not on the vehicle.

Mr. CARR. I thank you for your testimony.

Obviously I agree with you. We have some problems not only at EPA, but in the Senate.

The Senate bill out of the Environment and Public Works Committee had a report accompanying it which acknowledges DOT's safety concerns, but states that, quote, "EPA, based on its continuing analysis of on-board safety, remains convinced that on-board controls can be simple in design and will not endanger passenger safety."

Then they go on to say that, "EPA has also reported from its examination of fire and safety recall data that the evaporative emission controls which rely on equipment similar to that required for on-board systems have not compromised vehicle safety."

Can you tell me in maybe a structural sense how you and EPA are coming together on this issue?

What are you going to do to stick up for yourself over at EPA?

Mr. SKINNER. I would only point out the Administration's Clean Air legislation supports the control of refueling emissions by the use of Stage 2 systems at the pump.

The President, basically in submitting that bill, reached the conclusion that that was the preferable way to deal with the problem. I will stand with the President and his bill.

I think that more and more people will begin to look at this issue, and then understand that Stage 2 recoveries are the more effective way to go.

I have been having discussions with people on a regular basis on that. We have not altered our position since the A. D. Little independent study came in.

Mr. CARR. Do you know if EPA had a reaction to the Little study? Did you show it to them?

Mr. SKINNER. They had the benefit of looking at it, yes.

[The information follows:]

Both the A. D. Little study and a GAO report ("EPA's Efforts to Control Gasoline Vapors from Motor Vehicles") state that safety concerns make additional testing necessary. The A.D. Little study was sent to EPA by NHTSA on the day it was received from A.D. Little. EPA did not comment on the report.

Mr. CARR. Can you summarize their position?

Mr. SKINNER. I am not sure what it is. I would be on dangerous ground if I were to do so.

AIR TRAFFIC CONTROLLER PAY DEMONSTRATION

Mr. CARR. Switching to FAA matters, are you going to recommend or are you recommending a continuation or an expansion of the pay demonstration proposal for air traffic controllers?

Mr. SKINNER. The demonstration program is underway. We are beginning to get some reaction to it.

With FAA re-authorization, we are attempting to deal with issues such as personnel and procurement.

It is a little early to give you any conclusions. We are certainly going to continue the program and request continuation through the test period.

We have got to find ways to deal with recruitment and compensation of people who are in these critical high cost areas. The demonstration is an attempt by the FAA to find a solution and to find out whether or not, with increased pay, we can attract people to these facilities.

There have been some positive results, but one of the problems, of course, is that we don't have the program on a uniform basis even in a particular area.

It has created some morale problems where some people have it and some people don't. That is the risk of any demonstration. We are looking for other ways as well.

One of the things I am intrigued with as far as our personnel process is if, in fact, someone goes to a high-density area and performs as an FPL for a period of time, why should that person not be recognized after that period of service with a priority on their request for relocation?

Why don't we give an incentive for relocation? As the system is designed right now, if you go to a high-density area and you can't perform, then you are sent back at about the same grade level to a place like Charleston, South Carolina or Charlotte, North Carolina.

That doesn't make any sense. We are looking at all kinds of alternatives to combine with the pay.

But, the pay demonstration is proving that we can attract people to these jobs who are FPL's and keep them there.

Whether that is the best way or not, we will have to wait until the study is done.

Mr. CARR. I will anxiously await the study. I would just tell you that, and I am sure you are aware, it is inducing problems that weren't there before we were trying to deal with the recruitment problem.

Just isolating just one of the problems you have in FAA staffing, that just really invites moving the problem around. We probably will end up chasing problems.

I know that I already received some communications from air traffic controllers who are curious, at best, I guess, as to the differentials between pay between controllers in towers within the same locality, where the tower controller who operates fewer aircraft is paid more than the controller who operates more aircraft.

Mr. SKINNER. You and I agree on that. It is out of kilter, so to speak.

Mr. CARR. Someone told me. I know there is probably someone here from the FAA. I am going to take this up in more detail with Admiral Busey.

Someone relayed to me that one of the criteria for the various pay levels is whether you are in a radar environment or non-radar environment. I don't know that pertains to tower cab controllers.

Apparently, at least it was represented to me, and I would like to find out more about it, if there is somebody in the FAA here, maybe you can come up to the office and brief me on it.

It was represented to me that if you are in a tower that is sort of classified as radar, you get a certain pay grade that is higher than if you are in a tower that doesn't.

But, you may be at an airport that is operating more flights and you may be busier. I sense, anyway, that there is some initial rumblings of pay inequities that go far beyond our ability to recruit in tough places to live.

Mr. SKINNER. That study is supposed to be done this quarter. We are meeting to discuss some of those things just on that issue.

I think we have got to look at recruitment into the high-density areas. We have to look at the system as a whole and find out whether we really are compensating people for the kind of job they are doing and whether there is a perception of fairness and equity.

I must tell you, having visited 100 facilities in the last year, is that there are significant inequities and disparities that must be straightened out.

MLS CONTRACT WITH HAZELTINE

Mr. CARR. Moving over to the MLS, can you give us a status of the MLS contract with Hazeltine?

Mr. SKINNER. We have defaulted Hazeltine for cost. It is being litigated.

In the meantime we are going to attempt on a much scaled-down version to procure a number of systems that we can put into operation. In fact, there seems to be interest from a number of airlines. We request $32.2 million to continue the demonstration.

We also expect the National Academy of Sciences to get back to us soon about their assessment of MLS systems and the frequency problem we discussed earlier. We are going to contract with two companies to produce 12 prototype Category 3 MLS's.

We are going to purchase, 20, maybe 26 off-the-shelf Category 1 MLS's to continue the work. We are going to install one at Kennedy, one at Philadelphia.

We will see and report to the Congress. If, in fact, it works and it is the way to go, we could award a production contract in 1994. There is a great deal of interest in MLS in Europe and in the Pacific Rim.

There is interest in Canada as well. While we are behind and have a significant number of problems in our implementation, most of the major aircraft being built today for foreign carriers are being MLS-equipped or being wired for MLS when it becomes available.

AIRPORT PASSENGER FACILITY CHARGE

Mr. CARR. You have made a proposal about allowing local airports to charge passengers for facilities. I am trying to understand your proposal.

I was wondering whether this—how you envision this charge being levied at an airport? Would this be on through passengers or what?

Mr. SKINNER. It would be on all passengers. A passenger, if they were going through, could only be charged once or twice during a trip. Therefore, if they went through four airports, they would only be charged twice.

If they were O&D trips, they would be charged. If they went through one hub airport they would be charged. It has not been finalized.

We are working with the committee that we have established at the request of the Congress.

There are a lot of opinions on this. I think that there is a lot of interest in this proposal.

It is, in my opinion, the best solution available now to increase significantly the funding for aviation infrastructure outside the federal budget we have requested here.

DENVER AIRPORT

Mr. CARR. Relating to that and the notion that we are going to have a new airport in Denver, I was interested the other day to read an associated press article that suggested it now looks like the price tag for the new Denver airport is going to leap from about $6 per passenger to about $11.50.

My question, I guess, is and I think the Subcommittee shares the concern that you monitor the Denver Airport and its development and its costs very carefully. Otherwise we get into a position somewhat similar to the position we were in many years go when we essentially built Dulles Airport on spec.

It was a nice beautiful airport and nobody used it. We probably could afford an airport on spec back then, but I doubt we can afford an airport on spec today in today's environment.

I wonder what you are doing vis-a-vis the language of our bill last year to monitor the cost growth in the Denver Airport.

Mr. **Skinner**. Well, we are monitoring it very closely because it represents not only an opportunity for Denver, but an indication of what can be done in the future.

In fact, I think the people from Denver will be here Monday in a meeting with our own people to give a progress report.

We have allocated $60 million in airport grant funds for the new airport. We have seen no indications that the cost is out of control.

There are some indications that pursuant to some discussions you had and others had, that they are looking for every opportunity to hold down the costs to share some of the costs with other agencies within the Department of Transportation.

If, in fact, we don't need all of the facility up front, does it make sense to phase it in? All those options are being looked at.

I do not get the impression that the latest package which appears to be about $2.2 billion—while it is somewhat up from the initial numbers talked about—that there appears to be any significant cost overruns. But, I will know more next week when I talk to them.

With stories coming out of Denver, one paper says one thing and the other paper says the other thing, I thought it would be most appropriate to have the Denver officials in.

Mr. **Carr**. I encourage you to keep a close eye on it. I think people in the Committee will keep a close watch on it. Most of us want to be helpful to Denver.

By the same token, it may well be that we spend a lot of federal money contributing to an airport that will be underutilized. In today's market, I don't think we can afford that kind of use of the marginal dollar for airport expansion.

I also want to urge upon you to investigate and have the FAA investigate what limited use might continue to be made at the Stapleton even after the new Denver Airport is open.

One of the things that bothers me the most about the Denver airport, I guess, is that we are paying very expensive dollars to duplicate the existing capacity before we add capacity at Denver.

I know that there are some possibilities for alternative uses at Stapleton instead of just carving up the runways and building condominiums.

I have no further questions.

Mr. **Lehman**. Thank you.

Mr. Wolf?

HIGHWAY REAUTHORIZATION BILL

Mr. **Wolf**. Thank you, Mr. Chairman.

I want to welcome you, Mr. Secretary.

I think you and your staff have done an outstanding job. You have been very responsive. I want to congratulate you and all the people that are working on your staff.

I have just a couple of questions to ask. As you know, Congressman Hoyer and I in the House, and Senator Warner in the Senate introduced a bill with regard to highway gridlock.

It changes the highway formula for urban and suburban areas. When will the Administration come out with its position on the highway reauthorization bill. What are you leaning towards in urban and suburban areas?

Mr. **Skinner**. We have been concentrating on the FAA reauthorization which is this year. The working group has begun on the surface transportation act, which is next year.

Dr. Larson will be heading that group along with other people. We really are at the very early stages.

I think we have got to deal with the interstate system and any expansion in the role that those bypass routes play versus the long interstate links. It appears to me that with heavy federal funding on the interstate links, we also have had in many cases a very heavy role in the funding of the bypass links around a place like Richmond, or around Chicago.

Yet, when we build those ring roads, local industry surrounds those ring roads, builds up and develops around this infrastructure, but really pays nothing for the infrastructure, nor do the state and local governments.

Then we end up, gridlocking the bypass road. Then we have to build another one 10 or 20 miles out. Then that same thing happens there.

I am not so sure, even though those are both pieces of the interstate that the state and local share on the ring road portion should be as small as the portion of those long interstate links which are really interstate in nature.

That is one of the things Director Darman and I are going to be looking at as we move forward.

I am not so sure we will see a concept the same as we have seen in the past. We have got to take advantage of the fact that state and local highways and infrastructure really do bring economic opportunity and that some cost sharing may be appropriate, while it is not appropriate in the long links.

I think we are going to be encouraging, as I have indicated, a much greater local role in infrastructure. I believe you get a better product, you get better project management, you get less interference if you have a bigger local share. Yet, the Federal Government can still play a very significant role by removing some of the regulations and rules that create problems for some of those projects.

TOLL ROADS

Mr. **Wolf**. In Washington, we don't have a road that goes through the District. The Beltway serves that purpose.

We also need help in expanding existing roads, such as expanding the Washington Beltway, widening I-66, widening 270 and other roads which leads into the next question.

What are your feelings about merging tolls and federal funding. Maybe a 75 percent federal share and 25 percent paid for by tolls?

Have you given any consideration to that?

Mr. SKINNER. I have, and I think tolls can play a greater role than they have in the past. I think the total ban on tolls in interstate highway components, other than those that were grandfathered in, may no longer be appropriate. We ought to revisit it.

I think the private sector's willingness to invest in a toll road extension is a very healthy opportunity which allows the private sector to take the risk.

In some cases I think the private sector can build the road with the proper governmental approvals faster and build a better product than the Federal Government can or the federal and state governments working together can. I think tolls do make sense.

On the other hand, we can't get so dependent on tolls that they don't make any sense. Relatively speaking, on a per square mile basis, a small percentage of the areas in this country have volumes sufficient to justify an effective toll.

The reason New York can spend $25 billion on infrastructure is, in part, the fact that they have bridges into Manhattan that generate millions of dollars in tolls every week. Where that process can be used, we ought to take advantage of it.

In Illinois, the Illinois toll highway opened about a month ago now. It is the latest expansion of the tollway. We have an interstate basically flowing into a toll highway.

That is a regular free interstate option. Then there is a toll option. That toll highway has gone beyond its expectations.

It is working. People are willing to spend the user fee, which is a toll to pay for their access to that road.

The traffic on the bypass around Chicago, around O'Hare Airport, has diminished significantly because a number of people are taking the further bypass which happens to be almost an outer ring road that is toll funded. We have picked up the best of both.

I think that is a good example of what will happen in the future.

Mr. WOLF. You would be sympathetic to regions that wanted to move ahead and build these?

Secretary SKINNER. Yes. We need changes in legislation.

TRUCK SAFETY INSPECTIONS

Mr. WOLF. Two other questions. One is about truck safety. This Committee has been very helpful and very supportive in helping us with additional funding for the Washington Metropolitan area on the Beltway.

Have you given any thought to having a truck safety program targeted to urban areas?

In some places you will find more truck inspectors are in rural areas than are in urban areas.

Have you given consideration to targeting truck inspection money to cooperative arrangements in heavy urban areas such as the Washington Metropolitan area, Chicago and places like New Jersey, Philadelphia, Camden?

Mr. SKINNER. No. With the limited monies we have available, we try to spread it out as best we can.

The state and local governments have a significant role in this area as well.

At our highway safety summit in April in Chicago, where we will have the heads of law enforcement of all the major cities, major counties, and all the major states in the country in one group, we can talk about that.

How a program like that would be developed, should wait until we discuss it at the summit.

U.S. BUS AND RAIL CAR MANUFACTURERS

Mr. WOLF. You would inspect more trucks. Many of the truck inspections facilities are not operating around the clock around here.

I think you would inspect more trucks in urban areas, and would make a greater difference.

My last question is one that I would appreciate if you would take a look at. With the transition that is taking place away from defense, although we are not going to be moving out perhaps nearly as much as people think we are because clearly there are still problems out there.

We are concerned about our economy and creating new jobs, buses and mass transit are going to be very important. I read your speeches about how important mass transit will be.

Secondly, I am a free trader. Everyone says that. I voted that way. I voted against textile and protection bill which came up before the Congress.

Textiles are very big in the State of Virginia. I voted against a number of other amendments, without going into detail.

Having said that, why could we not, not in a protection point of view, but get some of the creative manufacturers, General Motors and some of the others who either are in bus or were in manufacturing bus and rail car to come back together with an antitrust exemption whereby we could become competitive and make rail cars in this country.

I know you can't standardize rail cars whereby the conditions in California are different than they are in Boston or Washington or places like that. There will have to be individual differences.

Would there not be some basis for restarting, recreating that industry again? Not excluding foreign manufacturers? Perhaps bring them in in some sort of a consortium to remake and rebuild the industry in this country whereby we make busses in the United States and we make rail cars in the United States? It was looked at one other time.

People said it was so complicated, we don't want to get into that again. In light of defense, potential defense cuts and in light of the fact that we must be on the cutting edge of technology, could you not look at the possibility that we could, with an anti-trust exemption, get some of these manufacturers?

Again, some foreign, but a lot of American ones together to recreate a bus and rail car industry in the United States.

Mr. SKINNER. In rail cars, the first contract was signed last week for the domestic manufacturer of rail cars when Morrison Knutson won the contract in Chicago for $250 million.

They are going to build in this country in a joint venture with a European manufacturer. There are still some bus companies that are doing some limited manufacturing.

One of the problems, of course, is depending on what happens in the environmental area, with the Clean Air Act. We may end up building no new buses in this country for several years because of the diesel engine emission problem.

There isn't a diesel engine that will meet the 1991 standard. I think a lot of people are leery until they see how the Clean Air Act comes out. In rail cars I know there is another effort going on in Chicago.

There is a new contract that should be about half a billion dollars or more in new rail cars.

They are looking at the ways to create incentives for local manufacturers. I do think there is some incentive.

One of the things we did this year as part of the transportation research board annual meeting is that we presented a transportation technology exhibition at the Transportation Research Board meeting.

It was the first time it had been done in years. It was sponsored. We put it together in about five months. The entire department worked on it.

It attracted manufacturers and experts in technology from all over the world to display their wares. It was a very, very successful display of American and foreign technology.

Every major transportation planner, researcher or manager in the country were present to see this technology. That was our effort and our idea to bring together transportation technology to display to the world and to the managers throughout the United States.

We are going to do that not next year, but maybe every other year. That is part of our effort to encourage technology transfer.

Mr. WOLF. Could you consider calling together, not in a protectionist way, I want to stress that at the outset, but could you consider calling the bus manufacturers together and seeing if they have an interest. We will pass the Clean Air Act by the end of this year. The manufacturers in foreign countries are going to have to live under the same clean air standards that we have.

General Motors, they are now out of the business, there are some factories being closed down, there are workers, great workers in Michigan and Illinois and places like that who would love to have those jobs.

You know, you have really taken leadership on a lot of issues and have been out front a lot of times when other people would not want to. I would appreciate it if you would, one, look to see if you could call them all together, to see if they would have any interest. We can't force them.

Secondly, if this Committee or some Committee were to be willing to put a little money into sort of the process, one, they are going to need an antitrust exemption probably because they can't sit down and discuss these things, and could you look to see the possibility of maybe pulling them together?

Mr. SKINNER. Sure.

Mr. WOLF. I would like to recreate the bus industry in this country.

Mr. SKINNER. If we got the current manufacturers together, we wouldn't need a room this big.

Mr. WOLF. I know you wouldn't.

Mr. SKINNER. It is a very small industry. One of the problems is just what is the market going to be for buses, but I will certainly explore it.

Mr. WOLF. I wouldn't only call in the current manufacturers, but perhaps get a list of those who used to be in it who are now out.

Mr. SKINNER. Some who are interested. I would just say, and I think Chairman Whitten made the point, too, the technology and the desire from these defense contractors to move into the private sector is increasing substantially for very obvious reasons. I was recently with a mayor of a major city who indicated they were bidding a major project for private sector development. They anticipated six contractors, and over 20 expressed interest, and many of those were defense contractors who were looking for other ways to invest their money. So I do think there is an interest and a movement already from the defense side into the civilian sector.

Mr. WOLF. Again, Mr. Secretary, thank you very much. Thank you, Mr. Chairman.

Mr. LEHMAN. Mr. DeLay?

OIL SPILL STUDIES

Mr. DELAY. Thank you, Mr. Chairman.

There are some issues that have been raised here today that we would like to further explore and I am sure we will with the heads of the particular offices under your department. I want to say, Mr. Secretary, that it is really exciting to have you as Secretary of Transportation. You are very much involved in transportation and really have a knowledge of what this country needs. You are an activist, and not diminishing the spectre of secretaries before you, I think it has been a long time that we have had someone who truly understands that transportation is the circulatory system of this country and that it has overwhelming needs.

In particular, in an issue that is dear to my heart, deregulating of trucking, you have taken a controversial stand and been out front on it. I really appreciate your activism. And speaking of that, I am intrigued with your national transportation strategy and this is one Member that would like to be out front and help you implement that strategy.

There are so many good solid commonsense approaches to transportation in your strategy that I have seen so far, and I am really excited about it. There is just a couple of issues that haven't been touched on that I would like to touch on with you. I know you have already discussed the oil spill studies that are ongoing.

I would just like to—being a biologist, and I have a minor in chemistry, I would like to take a different approach. I feel like there is a lot of emotionalism and hysteria over oil spills that are created because it makes good TV to show a bird covered or a seal covered in oil, and it projects the notion that the world is going to hell in a handbasket.

I am not saying that spills don't hurt the environment. I am saying that I hope that certain studies such as in the North Sea, are being taken in a very objective way, and if they are under your guidance I know they will be. Are studies looking at what happens when oil is present in sea water and/or what happens to the oil once it hits the beaches?

Mr. SKINNER. Well, Congressman, let me say that I don't have the background that you do, but there are a number of studies. In fact, the Exxon Corporation, and I spoke to them today, is funding a number of these studies. Almost every organization within the Federal Government has weighed in with a request for a study. One of the concerns we have is to make sure that the money available for studies is put in the right direction.

What I would suggest is—I will have our people drop you a note with the studies that they have undertaken or have been suggested, and would welcome any thoughts you have as to whether those are appropriate or not appropriate. We are weighing in on that. EPA and the Department of the Interior have a somewhat greater role because they are going to be managing those studies.

I think we ought to get you a feel for where those studies are, and we would welcome your suggestions. They could easily be getting off track.

Mr. DELAY. Fortunately or unfortunately, depending on where you come from, a study done by Exxon that would come out and say there is no devastating effect on the environment from an oil spill would be subject to some question by those of us that are trying to make policy. Unfortunately, a lot of policy being made up here is coming straight off that television tube, with very little objective specific foundation.

Mr. SKINNER. I should have said these studies are being funded by Exxon, but they are being done under the auspices of these various organizations. Exxon is funding the studies but not controlling the content or the direction of the studies. Mainly government organizations that are doing them.

(The information follows:)

The studies that the Coast Guard is conducting are primarily spill prevention and response initiatives. DOT does not conduct studies on the underlying scientific principle involved with oil spills. Such studies would be done by the Environmental Protection Agency and the National Oceanic and Atmospheric Administration.

AIRLINER CABIN AIR QUALITY STUDY

Mr. DELAY. Speaking of another study, and I know you answered questions of Mr. Durbin, but I have heard a rumor, and I want to take this opportunity because I don't like rumors, and I want to give you the opportunity to defend yourself and this rumor. On the air cabin quality study, I have heard that, to put it graciously, drafts of the studies have come to your office and you have sent them back because you didn't like their conclusions.

Mr. SKINNER. No. They came to my office, and I sent them over to OMB as they were presented to me for their review. They are untainted by the Skinner hand.

HOUSTON-JAPAN AIR ROUTE

Mr. DELAY. I appreciate that. Just a couple of more things, Mr. Chairman.

When we met, Mr. Secretary, last September, I had expressed my concern about a U.S.-Japan route and emphasized Houston's need for the Tokyo service. At that time you affirmed your support for giving greater emphasis to currently nonserved areas like Houston. Do you plan to continue to give greater weight to currently nonserved areas in the ongoing case resulting from the bilateral agreement with Japan last year?

Mr. SKINNER. Let me see if I can walk a fine line here. As you know, there are two pending cases before the Department of Transportation. The City of Houston and carriers who will offer service to the City of Houston and Tokyo are party to both. I think in both cases we expect a decision shortly. I believe that in the enabling order directing the process to go forward that unserved cities were given a certain weighting which would at least indicate that they are important and that the ALJ or the deciding authority should give weight to those considerations.

Obviously there were other factors that had to be taken into consideration. That enabling order is on the record and we will get that to you. We expect a recommending decision on one of the cases due late today, so I don't know what that will be.

I had that here in my notes, but I want to read it because I know sometimes "late today" means tomorrow or the next day, but I do think both of them—and I think you can be assured that the interests of Houston are being strongly considered along with the interests of others. The record will be complete as far as an analysis of the needs of Houston, and Tokyo, and whether that is the appropriate route. I can't predict with any degree of certainty because I don't know whether it is going to come, but I can assure you that Houston is well represented in the process.

Mr. DELAY. Well, I was really pleased to note that in your national transportation strategy one of your themes focused on fostering a sound financial base, including increased private investment and state and local innovating financial initiatives. I would like to take this opportunity to let you know that Houston Metro System is doing just that, and after scrapping the plan that would not have been economically feasible for either the Federal Government or the citizens of Houston, Houston is currently reevaluating its transportation alternatives with an increased emphasis on the involvement of the private sector.

I hope that Houston can continue to work favorably with UMTA and this Subcommittee in its progress.

Mr. SKINNER. I might add, Houston is the city I was talking about where the private sector developers and those private sector contractors have expressed great interest.

ESSENTIAL AIR SERVICE

Mr. DELAY. Did you hear that? Houston? Just one small thing that seems to be a burr under the saddle of this Subcommittee is essential air service, and the budget instead of proposing to eliminate this program as it has done in the past instead proposes a phaseout to request $23.6 million, a 23 percent decrease from fiscal year 1990. Did this change the philosophy of the Department of Transportation and the President as far as essential air service?

Mr. SKINNER. Well, it recognizes reality to some degree.

Mr. DELAY. Is that political reality or real reality?

Mr. SKINNER. House and Senate Appropriations Committee reality. Because, as you know, we have reached a compromise in the past on that.

The 1990 appropriation is at $30.6 million, and then we have a decrease due to the elimination of 20 points from the program, a decrease resulting from one-time subsidy needed and a $2.4 million reduction. That is where we reach our estimate of $23.6 million.

There may be some slight changes, if that number was implemented, in the number of cities that would be served. We are going to revisit the $200 per passenger criteria and determine whether or not in the 1991 budget we should tighten that down any further. In most places where subsidized service is being eliminated the subsidy was well above $200. We are moving towards a realistic approach to that program without just totally zeroing it out and not even being able to discuss it with the committee.

Mr. DELAY. I appreciate your sensitivity to reality, but if you were king would you have essential air service?

Mr. SKINNER. I am not king.

It is pretty hard to argue against something that is in the budget, isn't it, Congressman?

Mr. DELAY. Thank you, Mr. Chairman.

Mr. LEHMAN. We probably have an hour and 15 minutes or an hour and a half to go. Would you like to take a five-minute break or would you like to keep going?

Mr. SKINNER. Why don't we take a five-minute break, if that is all right with you.

Mr. LEHMAN. The Committee is recessed for five minutes.

HUNTINGTON BEACH OIL SPILL

Mr. LEHMAN. Mr. Secretary, the Subcommittee will reconvene. You mentioned the Huntington Beach oil spill. Bring us up to speed on what happened and why it happened, and what is being done as far as cleanup.

Mr. SKINNER. All right. We have got a little help here from Commander Holt, but just to bring you up to date, and the Commander can answer any detailed questions. Late yesterday afternoon the spill occurred when the U.S.-flagged vessel *The American Trader,* which is a T-r-a-d-e-r, in case anyone misunderstands the name, a 774-foot vessel, was carrying 12.6 million gallons of Alaskan crude. We are not sure what caused the hole, but there was clearly a hole in the bottom of this vessel.

This tanker was carrying about ⅕ of the amount of crude that the *Exxon Valdez* was carrying, just for your interest. The hole opened about a mile and a half off of Huntington Beach, and it appears that somewhere between 200- and 300,000 gallons of this heavy crude went into the water.

The Coast Guard has begun to take the rest of the crude off that hasn't leaked out. British Petroleum is the owner of the oil and has accepted responsibility. We have got Coast Guard cutters, seven skimmers, several hundred personnel on the scene. It appears that much of the area has been boomed off sometimes two and three deep to protect the endangered areas.

It has not yet moved onto shore at Huntington Beach, which as you know, is not too far from the airport. We are now attempting to pick up much of it by skimming; dispersant is not appropriate, at least at this point.

About 30 percent has evaporated as a result of the weather, and we are optimistic that a significant amount will continue to evaporate until we can get more boom in place. Strike teams are on their way. I talked to the chairman and CEO of British Petroleum America, and they are responding with everything that they can to meet the problem.

Mr. LEHMAN. Why did it happen? Do you know yet?

Mr. SKINNER. Well, Commander, do you know any more about that than I do?

Commander HOLT. The vessel was making an approach to a single point mooring buoy off Huntington Beach to offload its cargo and had dropped an anchor in anticipation of securing itself to the buoy, and it appears that it may have run over its own anchor or the anchor may have somehow impacted onto the hull and caused the hole.

Mr. LEHMAN. That is weird. That is like stepping on your own foot.

Mr. SKINNER. That is one way to put it. It was an expensive foot.

Do you have the chart? We did bring a chart. You are going to see this chart before the President sees it. Commander, do you want to come up here and just show the Committee so they understand.

Commander HOLT. The vessel was mooring up to the buoy here, which is just offshore. There is a pipeline that goes from the buoy to a refinery. The oil is primarily confined to this area here. It appears to be a little over a mile by a mile.

Now, we have boomed off Seal Beach, the Santa Ana River, Alamitos Bay, and there is one other inlet down there that has been boomed off, but as the Secretary said, no oil has come ashore yet. The prevailing winds and current indicate that we will not be having any beach impacted at least for the near term. There are over 250 people currently on the scene, an additional 250 have been hired and are standing in wait in the eventuality that oil does come ashore.

Mr. LEHMAN. Is Huntington Beach near San Francisco?

Commander HOLT. Los Angeles-Long Beach. Long Beach is right up here, as a matter of fact.

Mr. LEHMAN. Glenn Anderson's district.

Mr. SKINNER. Yes, Glenn Anderson's district.

Thank you, Commander.

I think Congressman Durbin asked earlier about the money that was reimbursed. We have billed Exxon $79.9 million for costs disbursed as a result of the *Exxon Valdez*. We have received $70.6, and we have $9.3 that is still owed, that represents recently billed amounts. The 311(k) fund, I might add, looks like it has $26.1 million in it, so it is woefully inadequate to deal with any of the expenses.

Mr. LEHMAN. Larry, do you have any questions on Huntington Beach?

Mr. COUGHLIN. No.

Mr. LEHMAN. Mr. DeLay.

Mr. DELAY. No, Mr. Chairman.

GAS TAX

Mr. LEHMAN. Mr. Secretary, perhaps the single most important factor that influences our nation's transportation system is the price of gasoline. I would hope and expect that your upcoming transportation policy will address this issue. Can you share with us some of your thinking in this area? Do you believe the current price of gasoline creates an incentive to consume?

What impact does this price have on our transportation infrastructure requirements as well as our air quality and foreign trade problems, and what alternatives, if any, are you considering in this area? Will a proposed increase in the gas tax be part of your transportation policy or strategy?

Mr. SKINNER. No. I am sure you are shocked, but no.

Mr. LEHMAN. One reason I am sort of happy is they passed a gas tax and they left, and now you are still around.

Mr. SKINNER. Maybe that is an incentive the President has to keep me around. I wondered what was on his mind.

Let me deal with a couple of issues. First of all, I believe the motor vehicle taxes can be properly construed as user fees, and these receipts are an important source of revenue both for the state and local governments as well as the Federal Government. We should be, and have been, moving towards getting greater local involvement. I have been proposing that the gasoline user fee at the state and local level be increased, and have been working with various organizations in getting that done at the state and local level, because I think that is an important philosophy and a linchpin of any further surface reauthorization programs.

I don't believe we can get the market price for motor fuel. Interestingly enough, this morning I met with a group that has done some discussion on fuel prices. I had met with all the domestic manufacturers of automobiles, so I met with the foreign manufacturers today and their representatives.

They believe that statistics will show that, number one, there is limited elasticity in the price of gasoline. They would argue that the biggest thing we can do to cut down on gasoline usage is to increase the price and that in doing so that does, in fact, reduce congestion and of course incidentally make money for infrastructure.

This is a strategy that the President has not even focused on, let alone approved, but right now he does not. The national energy strategy is looking at a number of options as to what to do about the energy problems in this country. We do believe that the price of motor fuel should be determined by the market and has in fact been determined by its market availability.

We are concerned about the Clean Air Act and what would happen in the mobile emissions requirements and the impact that its going to have on the automobile industry generally. Also the Clean Air Act may have a substantial effect on the amount of revenues that are collected by the gasoline tax. All of these issues are in the process of being reviewed right now by the House and the Senate as part of the Clean Air Act.

We believe that we should let the marketplace do its thing. We should be encouraging greater funding from state and local levels through the imposition of user fees or increasing current user fees.

Mr. LEHMAN. I am a little disappointed. I was hoping that we would be able to work together for a possible increase in the gas tax which I think is badly needed and can be used for improving our highways and other parts of our transportation system. Maybe, as time goes on, we can increase the Federal gas tax.

Mr. SKINNER. I am always willing to work with you, Mr. Chairman, you know that. Sometimes my portfolio is more limited than yours.

NATIONAL TRANSPORTATION POLICY

Mr. LEHMAN. We look forward to the publication of your national transportation policy. Obviously, the success of that policy or strategy will be heavily dependent upon the resources found to implement it. As you have recently stated, the total bill to shape up the infrastructure over the next 20 years could run from one to three trillion dollars, and that is using your own numbers. And one economist reportedly has estimated that to meet our infrastructure needs will require investing about 2 percent of our GNP instead of slightly over 1 percent as we did during most of the 1980s. We even started cannibalizing our infrastructure in the 1980s.

If these levels are going to be reached, it seems clear that there will have to be some type of tax increase at the Federal, state or local level. Do you agree and, if so, which level of government do you believe can raise and spend these funds most efficiently?

Mr. SKINNER. I think that as the state and local governments come up with a greater share, they will assume greater responsibility. They will be more effective in the way they spend the money. They will be more responsive and responsible to the taxpayers or the users that are paying those fees. That doesn't mean to say that the Federal Government doesn't have a significant role, but I believe a great deal of emphasis can be placed and a great deal more can be done at the state and local level.

Mr. LEHMAN. You say the Federal Government should have a significant role, but I think it is another one of these "Read my Lips".

Mr. SKINNER. Significant is not quite as significant as you and some members of the Committee feel.

MOTOR VEHICLE POLLUTION

Mr. LEHMAN. As you mentioned in your recent speech to the Transportation Research Board, many people believe that transportation is part of the environmental problem rather than part of the solution. You have said that you are committed to reducing motor vehicle air pollution. What do you believe the role of your Department should be in this area—for example, are you considering a greater federal cost incentive for consumers that purchase cars that emit lower levels of hydrocarbons or other pollutants?

[The information follows:]

The Department's role is to enforce vigorously the existing and any future laws intended to reduce air pollution. Under the Clean Air Act and highway legislation in Title 23, transportation and air quality planning must be coordinated as a condition of receipt of federal funds. Air quality impacts of transportation plans are considered during the development of metropolitan area transportation plans, which are supported by DOT's highway and transit funding.

State Implementation Plans (SIPs) for attainment of air quality standards include transportation control measures such as reduced vehicle use programs and traffic flow improvements. SIPs also include vehicle inspection and maintenance programs. All federally funded transportation projects must conform to approved SIPs.

We must also continue to encourage and support transportation approaches which will stabilize or reduce auto emissions. These include, for example, carpools and vanpools, HOV lanes, improved traffic control systems and enhanced transit programs in appropriate corridors.

There are a number of provisions of the pending Clean Air legislation that would affect the Department's programs and the transportation industry. DOT will carry out its responsibilities under any Clean Air Act.

Finally, one of the tenets of the National Transportation Policy is to ensure environmentally sensitive transportation. That will be a principle, as we implement the plan. With regard to your specific question, a greater federal cost incentive for consumers who buy cars that emit lower pollutant levels is not under consideration.

PRIVATIZING TRANSPORTATION ACTIVITIES

Mr. LEHMAN. One part of your transportation strategy is designed to increase the reliance on the private sector. In this regard, you may recall the Grace Commission's recommendations that nearly $400 million a year could be saved by privatizing the short-range aids to navigation program and non-life-threatening search and rescue activities of the Coast Guard. Others have proposed transferring the operation of the air traffic control system to the private sector. To what extent do you believe increased reliance on the private sector should extend to these kinds of activities that traditionally have been performed by the Federal Government?

[The information follows:]

To the extent that those "traditional government activities" can be done effectively and at a lower cost by the private sector, DOT strongly supports such efforts.

The Coast Guard has been a leader in reviewing its support functions for contracting out under OMB Circular A-76. Since 1985, total budget reductions from all Coast Guard contracting out is 1,804 FTEs and $9.4M on a recurring basis. The Coast Guard also has privatized the support elements of some "traditional" programs.

Regarding aids-to-navigation the Coast Guard awarded three trial contracts for servicing of aids-to-navigation in the following waterways:

The Merrimack River and Ipswich Bay in the 1st Coast Guard District, the New Jersey Intracoastal Waterway in the 5th District, and the Snake and Willamette River in the 13th District.

Using the experience gained from those trials as a basis, we will conduct an independent evaluation of ATON contracting to determine if the private sector can perform the mission safely effectively and at lower overall cost than the government. The study will also examine what impact ATON contracting would have on the multi-mission nature of the Coast Guard and its capability to respond to emergencies and meet surge requirements.

For non-emergency search and rescue, "alternate providers" are used when they can be on-scene within a reasonable period of time, usually one hour or less. The Coast Guard assists in contacting any specifically requested alternate assistance, such as a commercial tower, marina, or friend.

The FAA has a program which contracts for air traffic control services at some of its low activity (Level I) VFR control towers where the benefits of such service exceed cost. These contracts are with the State or political subdivision rather than directly with a private firm that provides such services. The FAA is reviewing opportunities to extend the contract tower program to other facilities and will report the findings to the Committee.

NATIONAL TRANSPORTATION POLICY

Mr. **Coughlin**. Mr. Chairman.

Mr. **Lehman**. Mr. Coughlin.

Mr. **Coughlin**. Before we leave the national transportation strategy, let me just ask, there has been some rumor that OMB is rewriting the strategy rather than just clearing it.

Mr. **Skinner**. No. What we have is what I call wordsmithing. I have never seen any organization in government when they are presented with a product not want to do a little wordsmithing. There have been some discussions in several areas, but you will find that the policy as approved by OMB is basically the same as recommended by the Department. The wordsmithing deals with the emphasis and the priority rather than the substance. Actually that process has gone very well. I recognize Washington is the town of rumors, but fortunately for me and unfortunately for the people writing the rumors, there haven't been any substantial changes.

GAS TAX

Mr. **Coughlin**. The only other thing I would add is that I share the Chairman's concern on the gas tax. I would want another raising of the gas tax in a skinny minute if we could use it to fund our transit needs among others. I hope as we go along we will look at that.

Mr. **Skinner**. I am sure the Chairman has other more ambitious plans than that, I would imagine.

DRUG TESTING

Mr. **Lehman**. Well, we can revisit that issue from time to time.

Under your Department's rules, drug testing was to have started in December and January for nearly 4 million private sector transportation employees in safety-related jobs. Your rule provided for pre-employment, periodic, random, reasonable cause, and post-accident testing. However, some of the testing has been held up because of court injunctions. Would you bring us up to date on the testing that is currently being conducted, including both the industries affected and the types of testing, and the procedures being employed to ensure the accuracy of these tests?

Mr. **Skinner**. The rules went into effect as promulgated on December 29, 1989. Certain random and portions of the post-accident testing for commercial vehicle operations, truckers and random testing for the maritime industry have been enjoined by the courts, but I am optimistic that the courts will rule in our favor shortly.

The Department's drug testing program for transit operators has been vacated. The U.S. Court of Appeals for the District of Columbia has ruled that the Urban Mass Transit Administration as a grantor has no authority to establish programs for the recipients of Federal mass transit assistance. We are vigorously pursuing legislation to provide UMTA explicit authority to get the rule back into effect. I would encourage this committee to play a very significant role in that. I believe we need this authority for mass transit. It is an important part of the program to protect the American traveler. The statistics I have seen and the private conversations I have had with mass transit operators indicate that most of them, including many of the unions that work with them, are supportive of that effort. So I am optimistic we will get that.

The other industry categories and industry programs have gone into place. I have established in the Office of the Secretary a drug compliance office that will be staffed by several people, and their job will be to make sure that the administrators and the managers are, in fact, effective in implementing the program. We will also have a very vigorous program within the office of the Inspector General to make sure that the industries responsible for issuing and administering these tests are complying.

And finally, while I know there is some concern about the accuracy of the tests, so far we have seen no indication that there are an insufficient number of qualified labs to administer the tests. The quality from what we have seen so far appears to be more than acceptable.

Mr. DELAY. Would the Chairman yield on that point?

Mr. LEHMAN. Mr. DeLay.

Mr. DELAY. Thank you, Mr. Chairman.

There are two questions I wanted to address on drug testing. One is to ask you the question, has the crew of The American Trader been tested? I assume that is automatically the policy.

Mr. SKINNER. Yes, they have been tested. I don't know the results. There has been no indication that there are any problems, but I haven't got the final results.

Mr. DELAY. I was visited by a group that has developed a drug test that answers a lot of the problems that employees have, especially in regard to privacy. They have developed a test, and are you aware, Mr. Secretary, of this test, by using hair, and analyzing hair?

Mr. SKINNER. No, I read about it, but I haven't talked to anybody about it. I will ask Mr. Gainer, who heads our drug office, to check on that.

Mr. DELAY. I think it is showing great promise, especially in regard to the privacy question and accuracy. In fact, they can tell you if you have had drugs three or four months ago.

Mr. SKINNER. What if you have no hair?

Mr. DELAY. Well, then you will have to carry your little bottle around with you.

Thank you, Mr. Chairman.

[The information follows:]

Hair analysis methodology for the detection of drug metabolites is currently under study by the National Institute on Drug Abuse (NIDA) for its applicability in Federal drug testing. The NIDA Addictions Research Laboratory is continuing to explore the RIAH (radiommonoassay-hair) methodology for use in large scale drug testing programs. Many unanswered issues remain. The scientific basis for the presence of drugs in the hair has not been firmly established. Cut-off levels, passive exposure issues, confirmatory testing procedures, and interpretation of results require additional research to establish acceptable guidelines and testing protocols. Legal sufficiency of the RIAH methodology alone has not been established. The DOT will continue to monitor the progress of NIDA in its research in this innovative methodology.

COURT CASES ON DRUG RULES

Mr. LEHMAN. Would you provide for the record the status of the court cases challenging your Department's drug testing rules for transportation industry workers?

[The information follows:]

FEDERAL AVIATION ADMINISTRATION'S DRUG TESTING RULES

Bluestein, et al. v. *Skinner, et al.*, Nos. 88-7503, et al. (9th Cir.). This case challenging FAA's drug testing rules has been briefed and argued and we are awaiting the issuance of a decision.

FEDERAL HIGHWAY ADMINISTRATION'S DRUG TESTING RULES

In *Owner-Operators Indep. drivers Ass'n* v. *Skinner,* No. C-88-4547 MHP (N.D. Cal.), the district court judge enjoined random and mandatory post-accident testing under FHWA's regulations and denied the Government's motion to dismiss the action on the ground that the court lacked subject matter jurisdiction. The Government has filed an interlocutory appeal with the Ninth Circuit in *Owner-Operators Indep. Drivers Ass'n (OOIDA)* v. *Skinner,* No. 89-80273 (9th Cir). This case has been briefed and argued and we are awaiting a decision.

The other challenges to FHWA's drug testing rule have been consolidated in *International Brotherhood of Teamsters (IBT), et al.* v. *Department of Transportation, et al.*, Nos. 89-70165, et al. (9th Cir.). This case has also been briefed and argued and we are awaiting the issuance of a decision.

COAST GUARD'S DRUG TESTING RULES

Transportation Institute, et al. v. *United States Coast Guard, et al.* and *District 2, Marine Engineers Beneficial Association* v. *Burnley, et al.*, Nos. 88-3429 and 89-1519. On December 18, 1989, the U.S. District Court for the District of Columbia (Hogan, J.) issued a decision enjoining implementation of random testing under the Coast Guard's regulations. The court, however, upheld all other types of testing required by the regulations.

Local 272, International Brotherhood of Electrical Workers, et al. v. *Pennsylvania Power Company, DOT,* No. 89-2451 (W.D. Pa.). On December 18, 1989 plaintiffs filed a complaint challenging the Coast Guard's drug testing regulations. This matter is in the early stages of litigation.

FEDERAL RAILROAD ADMINISTRATION'S DRUG TESTING RULES

In *Railway Labor Executives' Association, et al.* v. *Skinner, et al.*, No. C-88-4824 (N. D. Cal.), the district court upheld FRA's drug testing rules. This decision has been appealed in *RLEA, et al.* v. *Skinner, et al.*, No. 89-16571 (9th Cir.). RLEA's brief is due February 20, 1990; the Government's brief is due March 9, 1990; and RLEA's reply brief is due 10 days later. Oral argument is scheduled for the week of April 16.

RESEARCH AND SPECIAL PROGRAM ADMINISTRATION'S DRUG TESTING RULES

On January 19, 1990, petitioners in *Interstate natural Gas Ass'n (INGAA)* v. *Skinner, et al.*, No. 89-70189 (9th Cir.), one of three challenges to the RSPA's drug testing regulation, filed a motion for voluntary dismissal of its appeal. The court has not ruled on this motion.

The other two cases challenging RSPA's rules, *IBEW, Local 1245, et al.*, v. *Skinner, et al.*, No. 89-70061 (9th Cir.) and *Oil, Chemical, and Atomic Workers (OCAW), et al.*, v. *Skinner, et al.*, No. 89-70248 (9th Cir.) have been consolidated. Petitioners' brief was filed on February 13, 1990; the Government's brief is due March 15, 1990; and petitioner's reply brief is due March 29, 1990.

URBAN MASS TRANSPORTATION ADMINISTRATION'S DRUG TESTING RULES

On January 19, 1990, the U.S. Court of Appeals for the District of Columbia Circuit issued a decision invalidating UMTA's drug testing regulations in *Amalgamated Transit Union* v. *Skinner,* No. 89-5380. The court found that UMTA did not have the statutory authority to require its grant recipients to implement (1) post-accident, (2) pre-employment, (3) reasonable cause, (4) return-to-duty, or (5) random drug testing for employees who perform sensitive safety functions. The parties have until March 20, 1990 to file an appeal.

DOT-WIDE DRUG TESTING PROCEDURES

On January 29, 1990, the D.C. Circuit granted petitioner's voluntary motion to dismiss its challenge to OST's issuance of drug testing procedures applicable to all industry testing programs filed in *Drugscan, Inc.* v. *United States,* No. 88-1888.

DRUG USAGE IN SAFETY-RELATED JOBS

Mr. LEHMAN. Reportedly, you have stated that you expected to see an alarming amount of drug usage and positive testing in safety-related jobs. To what extent has your experience to date confirmed your expectation, and if there isn't significant usage, do you intend to modify any of your testing requirements, such as random testing?

Mr. SKINNER. Well, it is a little early to get any real assessment. I think it is going to vary from industry to industry. I understand at least one organization within the first couple of days turned up a couple of very serious problems. In post-accident testing following some accidents the drug testing has turned up positive. But it is a little early to tell, and there is no sense in talking about whether we are going to modify programs until we see the results. I don't want to create unnecessary burdens on industry. At this point we have got a very comprehensive program and I am anxious to see the results.

ALCOHOL ABUSE RULEMAKING

Mr. LEHMAN. It is my understanding that you have also issued an ANPRM on alcohol abuse among employees in safety-related jobs. What is the status of this ANPRM and what options are you considering?

Mr. SKINNER. Well, the original comment period ended on the 31st of January. The Air Transport Association has petitioned for an extension of the comment period until March 9th, and we are considering that petition.

Among the options identified are requiring employers to establish employee assistance programs, requiring employers to set up self and peer referral programs, requiring alcohol testing of transportation employees in safety-related jobs, requiring pre-performance testing as well as encouraging states to implement safety programs and to increase their enforcement efforts.

We have received hundreds of comments. We are going to wait until the comment period is complete and we have analyzed them all to decide where we are going to go. It is a major problem. The President has indicated a very deep personal interest in this. We have increased our programs related to drugs and alcohol in the NHTSA budget to deal with some of the suggestions that we have.

Mr. LEHMAN. Drugs and alcohol show overlapping abuse in many cases.

Mr. SKINNER. Yes. In many cases if people have an alcohol problem, they have a drug problem, and vice-versa.

MAJOR ACQUISITION PROBLEMS

Mr. **Lehman**. Mr. Secretary, in his semiannual report of October 9, 1989, the IG concluded that the major acquisition within the Coast Guard and the FAA is a significant issue requiring departmental management attention. Seventeen audit reports in the past two years have confirmed that there is a problem. What are your plans to improve the acquisition process and improve departmental oversight?

Mr. **Skinner**. First of all, there have been some problems in the past. Of course the Coast Guard and the FAA are the two major acquisition organizations at DOT. The best thing I could do to ensure the integrity and propriety of the FAA acquisition programs was to hire Jim Busey, who is an experienced Navy procurement expert. He has, in turn, hired his own outstanding procurement expert, who will be conducting the process. I think you will see a restructuring of the way FAA approaches acquisitions. I think it will be for the better, and I think we will get a better product.

The Coast Guard is also required to cooperate with the department in acquisition matters. They, too, because their acquisition program varies from year to year, have not had a level of expertise in some areas.

On the other hand, one of the major areas they have been criticized for, the area of H-65 helicopters—the engine that has created some of the problems we have talked about—was mandated by a Buy American requirement. The original French helicopter was retrofitted with American engines that have turned out to be a problem—the LTS-101. One of the fixes that has been looked at by the Coast Guard, in addition to using the LHX-800 engine, is to retrofit with the new Aerospecial Ariel engine, a follow-on of the original engine. I think some of the acquisition problems are not totally the Coast Guard's responsibility.

Mr. **Lehman**. Do you intend for your own office, the Office of the Secretary, to have more diligent oversight, as well as your IG, in the procurement process?

Mr. **Skinner**. Yes, both FAA and Coast Guard procurement processes will have OST personnel involved from the very beginning, and they are instructed to bring any problems that they see to my attention. The delegation on procurement authority to the FAA administrator on major procurements was contingent on the FAA establishing management councils that include high level OST participation. The Assistant Secretary for Administration is involved, and his people are involved from the very beginning in all major procurements.

REDUCED COMPETITION IN AIRLINE INDUSTRY

Mr. **Lehman**. There continues to be concern about the effects of reduced competition in the airline industry. Currently, we have about six carriers flying 90 percent of the domestic passengers. I know you have been studying this problem. What have you found? Is the lack of competition causing higher air fares?

Mr. **Skinner**. The task force has completed its work and we expect to release the report next week. I think the results are heartening, and without getting into a detailed discussion preempting next week's announcement, I would just say that, number one, we found that deregulation is working, and that, number two, air travelers have benefited.

There may be some pockets of problems which have to be dealt with, but efficiency in air carriers has increased because of competition. Finally, the biggest problem we have is the one that the airline industry identified for me when I became Secretary. That is the fact that we don't have our capacity expanding at the same rate as our demand. That is why the President's program, with an increased emphasis on aviation infrastructure, is so important if we are going to keep this deregulated environment moving forward and to ensure that passengers have the benefit of deregulation, which is a multi-billion dollar a year benefit.

Mr. LEHMAN. We have six carriers with 90 percent, but very few of those carriers really compete against each other, and I hope your optimism will be fulfilled as time goes on.

Mr. SKINNER. This is the most extensive study that has ever been done, more extensive than the GAO study. We found there is an awful lot of competition, even in places you don't think there is competition. For instance, take Chicago. There is a lot of competition in Chicago between American and United at O'Hare, and with Midway down on the south side, there is also a lot of competition. At LaGuardia there is a great deal of competition. There is more competition than people think. At some places there are problems, however.

PASSENGER FACILITY CHARGE

Mr. LEHMAN. Your budget indicates that your proposed legislation will permit airports to charge a passenger facility charge—PFC—or departure tax, as you mentioned. Some seem to question the need for this type of funding mechanism when we have a $7 billion balance in the airport and airway trust fund. Why do we need this kind of funding mechanism with such a large balance?

Mr. SKINNER. I would only say that the passenger facility charge represents the best way that we can expand the infrastructure immediately. I think that it is reasonable. From my assessment of the industry and from their comments, as long as the industry and airport operators can be assured that the money will be used for aviation and airports, there seems to be less resistance than one would expect.

If there is diversion of those funds, or if the legislation authorizing the imposition of these passenger facility charges allows for diversion, then there will be a great deal of resistance, including resistance from the Secretary of Transportation.

Mr. LEHMAN. I am concerned with the diversion of general revenue funds, as you mentioned, to subsidize the air traffic system. Fifteen percent, as you said, for defense would be sufficient. I hope we will work out that problem.

Mr. SKINNER. We certainly will. That is one of my priorities for this year, Congressman.

Mr. **Lehman**. How do you propose to ensure that these PFC collections are not diverted to non-aviation activities?

[The information follows:]

DOT believes that PFC revenues should be used only in furtherance of the air transportation system. Our proposed legislation and any subsequent rulemaking would ensure that. DOT also envisions developing a system to provide some level of oversight by the FAA to ensure that legislated uses of the PFC are followed.

There is also another protection on the use of the PFC. As provided in Section 511(a)(12) of the Airport and Airway Improvement Act of 1982, as amended, all Federal grant recipients have had to provide assurances to the FAA that all revenue generated by the airport will be used for projects directly and substantially related to the air transportation of passengers or property. This assurance is effective for the useful life of the project, and affects all airports likely to levy a PFC.

LOCAL OPPOSITION TO AIRPORT EXPANSION

Mr. **Lehman**. As we discussed last year, one of the most serious problems affecting airport capacity is local opposition to new runways and new airports. To what extent do you consider this to be a serious problem and what, if anything, can you or the FAA do to alleviate this problem?

Mr. **Skinner**. It is a very big problem. It is ironic. You build an airport, then all of a sudden people surround the airport with homes and businesses. Then they complain about the noise generated by the airport that they surrounded because it was there. That is happening now with Dulles, which was the biggest footprint we have ever taken for an airport in this country.

We do have a significant amount of money available for planning grants to communities and encouraging early public involvement. There has been some funding in the FAA for noise abatement, especially as it relates to schools, and also for monitoring equipment. We are proposing a new source of funding for airport development, the PFC, and we believe that increased levels of stable sources of funding should provide support for increased airport development. Ironically, one of the things that happens is we don't think big enough. Congressman Carr is not here. I would only point out that if we think big enough early on, many of the environmental problems that are presented later don't appear because we have thought big enough. Sometimes you have got to think big and you have got to look beyond 10 years' to 20 or 30 years.

Dulles is now going through a major expansion program. We even issued bonds yesterday to expand Dulles and National as the first phase of a multi-phase expansion program. So the airport that was a white elephant ten years ago is now one of the busiest in the United States.

USE OF AIR FORCE FACILITIES FOR AVIATION

Mr. **Lehman**. As one of the peace dividends, should we continue to look at some of the Air Force facilities throughout the country as a possibility for expanding our airport system?

Mr. **Skinner**. There is no question that joint use has greater potential than ever because of the decommissioning of Air Force bases all over the country.

[The information follows:]

Conveyance of surplus military airfields for civil aviation use and joint use of military airfields are feasible alternatives for obtaining additional airport capacity.

There are currently 61 military airfields which permit joint use by civil aviation. Eleven of these airfields are available to all civil aviation; 14 have use restrictions, such as requirements for multiple engine aircraft or instrument rated pilots; and 36 airfields are only available for use by scheduled air carriers when their destination airport is closed due to adverse weather conditions.

The FAA is also working with the Air Force and Illinois to establish Scott AFB as a joint use facility. The Air Force is requiring the State of Illinois to relocate almost 1,100 units of military housing, plus other buildings, prior to initiating joint use.

In the latter part of 1988, FAA provided the Defense Secretary's Commission on Base Realignments and Closures as extensive listing of military bases that had potential for civil aviation use. The Commission's final report recommended closing 86 military installations, including some that FAA had indicated had potential for civil aviation.

Five of the bases which were subsequently declared surplus to military needs are in the process of being conveyed for civil aviation use (Pease AFB, Portsmouth, New Hampshire; Norton AFB, San Bernardino, California; Mather AFB, Sacramento, California; Chanute AFB, Champaign-Urbana, Illinois; and Fort Sheridan, Chicago, Illinois.) The FAA is pursuing the potential civil aviation use of an additional eight to ten of the locations that were included in the Commission's December 1988 report, and will continue to pursue use of other military airfields as they become available.

SATELLITE-BASED AVIATION SYSTEM

Mr. LEHMAN. You are requesting $2.5 billion for facilities and equipment of the FAA primarily for your national airspace system plan designed to modernize and automate the nation's air traffic control system. However, at least one aviation organization believes you should be moving more rapidly toward a satellite-based system. What is your view of satellites—will they ever be able to replace any of our existing ground based systems? If so, what parts of it, when, and what are you doing to expedite this transition?

[The information follows:]

Satellite-based air traffic control systems hold much promise for oceanic airspace where there is no viable alternative. Considerable research and development and large investments in aircraft avionics and air traffic automation systems will be necessary before it is practical over land. The use of satellite-based systems depends on the accuracy of navigation systems carried in the aircraft. At present, these systems have less accuracy than radar surveillance. Widespread use of satellite-based air traffic control in domestic airspace at this time would reduce system capacity because radar surveillance is much more accurate.

A satellite-based air traffic control system will soon come into use. At the oceanic control centers in California and New York, equipment has been installed to control airplanes flying over the Atlantic and Pacific using a satellite link. Position information will be continuously reported to the centers from the aircraft navigation equipment. The name of the system is Automatic Dependent Surveillance (ADS), and it will be used operationally in 1992. The 1991 budget requests $6.7 million to implement ADS, and over $9 million has been appropriated through FY 1990.

DRUG TESTING IN FOREIGN REPAIR FACILITIES

Mr. LEHMAN. Three recent actions by the department, when taken together, do not seem to make much sense. First, the FAA has moved to expand the scope of aircraft maintenance that can be performed by foreign mechanics at foreign repair stations. Second, the department has imposed drug testing requirements, including random drug testing, on all transportation personnel in safety sensitive positions. Third, the FAA has announced that foreign personnel, including mechanics repairing U.S. aircraft and components abroad, will not be subject to drug testing until at least January 2, 1992.

We all agree that people who literally hold our lives in their hands cannot be allowed to compromise safety through substance abuse. And I think you would agree that, in order to succeed, the drug testing program has to make sense to the people who are to be subjected to it. But it seems to me that allowing foreign mechanics and repair stations to take on a greater role in maintaining U.S. aircraft without subjecting them to the same drug testing program that U.S. workers are subjected to, tends to undermine the necessity of drug testing, certainly among U.S. mechanics.

Could you give us a brief description of how we got to this point and comment on whether it wouldn't make more sense to iron out any problems with drug testing abroad before expanding the scope of work foreign repair stations are now doing? I think you understand the problem. Some of the labor organizations have already visited me about this seemingly two-tier situation.

Mr. SKINNER. Well, first of all, the drug testing rule does not distinguish between domestic and foreign repair stations. The rule requires everybody to participate in this policy and have a drug testing program approved by the FAA for mechanics that work on U.S. air carrier aircraft. The problem—and the reason that we have deferred implementation of the rule until January 2, 1992—is that some countries have rules and laws that prohibit such testing even though we have mandated it. So we get into a conflict of laws issue. We have been attempting to work that out. About 100 foreign facilities have applied for certification since the rule was issued. Yet very few have been certified. We are not going to certify facilities that we can't surveil. We are not going to certify these stations until we are able to surveil them, and ensure they are doing safe work without regard to the drug testing rule.

Mr. LEHMAN. So that before certifying new stations you will consider the possibility of applying the same drug testing rules to the employees of those stations.

Mr. SKINNER. They do already apply, but the rules have been suspended until 1992.

Mr. LEHMAN. I mean, similar to what is expected to take place in 1992.

Mr. SKINNER. Yes, and I would hope that at the time we certify the stations, because we have employees to surveil the safety work they are doing, that will coincide with the implementation of drug testing.

Mr. LEHMAN. A level playing field.

Mr. SKINNER. Right. I would like to strive for a level playing field. It is not my intention with the drug testing rules, to place American companies at a disadvantage with foreign competitors because of those rules. Yet, on the other hand, it is just like the issue of anti-terrorist technology. It becomes a problem sometimes because it takes longer to get foreign governments to accept our policies than it does American companies.

[The following information was provided as further explanation:]

FAA's drug testing rule applies to foreign repair stations that perform repair work on U.S. air carrier aircraft. Application of the rule has been deferred until January 2, 1992 to allow for discussions with foreign countries on sovereignty issues. In November 1988, FAA issued a rule removing the restriction on which U.S. aircraft may be repaired overseas. Following issuance of that rule, about 100 foreign repair stations that were not already certified to perform repair work on U.S. aircraft have applied for certification. Only a few of those have been certified because

FAA lacks the staff to provide appropriate oversight of their activities. FAA will not certify stations that it cannot properly oversee.

FOREIGN COUNTRY DRUG TESTING

Mr. **LEHMAN**. For the record, will you supply any information that is available to you on how many and which countries have drug testing programs for transportation personnel in safety sensitive positions and, of those, how many and which countries include random testing as an element of such a program?

[The information follows:]

We are not aware of any countries that currently have drug testing programs for tranportation personnel. Our bilateral discussions with Canada reveal that under that country's legal system, drug testing is difficult to justify. Consultations with many of the European Community (EC) countries indicates that the same condition applies to many of them.

PUBLICIZING TERRORIST THREATS

Mr. **LEHMAN**. Mr. Coughlin.

Mr. **COUGHLIN**. Before we go to highways, Mr. Secretary, you have been quoted as saying that terrorist threats against airline flights should not be conveyed to the passengers, and some relatives of the victims of the 1988 terrorist bombing of Pan Am 103 have been critical of this policy. Could you address that for a moment?

Mr. **SKINNER**. We believe that the best way to deter terrorists is to address each specific threat. By telling the terrorists we know of the threat, they just move the threat somewhere else. Sometimes we don't have the intelligence information to deal with that threat at another location. For example, if we have got programs in place to detect terrorist activities on airline "X" on Monday afternoon, and the terrorist reads at noon on Monday morning that we have canceled that flight, he is going to go to airline "Z", the same afternoon in some cases, and we won't have any advance notice.

If we can't protect the passengers and we can't effectively deal with a specific threat, then we will cancel the flight. It is an option but it is not going to be a regular option. We are not going to cancel flights every time we receive one of the 1,000 threats a year.

Most of the threats, as you know, are without foundation. The last one we ran down was an American student in the United Kingdom who didn't want to come back to school, so he called the airline and made a threat. When it didn't appear on television, he called the news station to alert them to the threat and asked them why they hadn't publicized the threat. He would have to go back to school unless his parents saw on television that the flight had been threatened. Now, we certainly can't cancel a flight for every one of those situations. It turned out we canceled the flight, as you recall, and took all kinds of significant steps, and it was a student who didn't want to go back to school in the United States.

HAZARDOUS MATERIALS ON AIRCRAFT

Mr. **COUGHLIN**. Recent news reports have raised the subject of hazardous materials aboard aircraft and posed questions about the adequacy of FAA enforcement. What are the rules and are they being enforced?

Mr. SKINNER. They are. The one you are talking about, I assume, is the Russian plane on the West Coast. That wasn't a leak of hazardous material, it was a leak of packing material. There are specific rules for the transporting of hazardous materials, and they are being enforced. The hazardous material people working with state officials who have a substantial responsibility there, have been working on enforcing those programs. We have not had a major incident of hazardous materials leaking in flight or during the process of being loaded on the flights, to my knowledge.

Mr. COUGHLIN. Thank you, Mr. Chairman.

FUNDING HIGHWAY NEEDS

Mr. LEHMAN. Approximately 99 percent of the interstate highway system is open to traffic. As we complete the construction of this system, what do you believe the federal role should be in meeting our nation's highway needs? Should we build more highways to interstate standards? Should we be adding capacity to deal with metropolitan commuter problems or should we concentrate our effort on maintaining our existing interstate systems? I imagine that would be addressed in your national transportation policy.

Mr. SKINNER. To some degree it will. And to some degree it will be discussed in the reauthorization process we are beginning right now. I have discussed a little bit of it. Delays are a major problem. We have to find ways to fund the infrastructure, to maintain the interstate system that we have invested so much money in. We have to find out whether there are areas where the interstate system can be expanded. At the same time, in the metropolitan areas, we have to find ways to deal with congestion. All of that will be a major challenge. Substantial funding from state and local sources, along with private sector investment, will help significantly.

INTELLIGENT VEHICLE HIGHWAY SYSTEMS

Mr. LEHMAN. The Federal Highway Administration has estimates of up to $45 billion a year wasted because of highway delays. This congestion is particularly evident in large urbanized areas and the surrounding suburban areas. What do you believe is the best way to deal with this? You mentioned the new ring roads.

Mr. SKINNER. One of the ways we have to use the infrastructure on a more efficient basis—and we have money in this year's budget for it—is heavy emphasis on intelligent vehicle highway systems. Using this technology, much the way we use it in aviation, to direct this traffic will be very helpful. We think that offers some real potential to spread out the load.

In some areas, you just can't build highways and highways and highways. You have to find alternatives, and better management of existing highways is a significant factor that can play a key role. In fact, 50 percent of traffic delays are the result of random interruptions rather than recurring congestion. The development of strategies for preventing or minimizing these incidents should be considered as well. And that is a state and local issue.

Mr. LEHMAN. I think part of that is random because I have been over a dozen cities in helicopters. They take me out and show me their traffic congestion. Every time I go up above a city in a helicopter the traffic is moving reasonably fast, so it does change. One fender bender can really mess up a whole system. In Washington, if you just have a slight rain.

Secretary SKINNER. You have got it. Or snow.

Mr. LEHMAN. Well that is out of the question.

Secretary SKINNER. We are going to have a course at the department on how to handle heavy snow, because they obviously don't know how to do that here.

Mr. LEHMAN. You are requesting $13 million, an increase of over 450 percent, for the intelligent vehicle highway systems program. However, the report assessing advanced vehicle highway technology that was requested by this Committee and the Senate Appropriations Committee is several months overdue. If this is a priority, why can't we at least receive the requested assessment? What do you believe should be the role of your department compared with that of the private sector in this area?

Mr. SKINNER. Well, we think the report will be submitted to the Committee in March. It is in the final stages of coordination. We think IVHS represents some unique opportunities. The question is, who is going to pay, and what is the investment going to be? But we have been , and the industry is, investing a considerable amount of money in it. We do think it presents a major opportunity. The question at this point is what is the federal commitment going to be beyond that in the 1991 budget? We are continuing to have those discussions. We have about $15 million requested for IVHS research in this year's budget. That is a significant commitment, and I do think it offers a great deal of potential.

On the issue of correspondence, Congressman, I am as frustrated as I am sure, members of the committee sometimes are on our missing deadlines. Yet I am told that in August we had 50 percent more congressional inquiries than we did a year ago, and 90 some percent of those we were able to respond to within 30 days or less. We do not have a major correspondence problem given the volume of correspondence that we have with the Hill, either with the House or the Senate. Reports occasionally become a problem because dates are placed on reports by the committee before we have assessed the magnitude of the problem. Sometimes those dates slip because we didn't really know how big an effort we had to undertake. I have asked for a list of those reports and where we stand, and we are trying to get through them.

LEGISLATION TO REDUCE SPEED LIMIT

Mr. LEHMAN. A recent NHTSA report indicates that there have been significant increases in the number of fatalities and the fatality rate on those rural interstates where the speed limit has been raised to 65 miles per hour. The report estimates that fatalities on these highways increased by 31 percent in 1988 when compared to 1986.

According to NHTSA, the 65 mph speed limit not only has increased the percentage of traffic traveling at high speeds, but also has increased the variation among the travel speeds. This has increased both the likelihood and severity of traffic collisions. In view of this report, are you going to propose or would you endorse legislation to reduce the speed limit on these highways?

[The information follows]

The Department of Transportation continues to support flexibility for States in determining appropriate speed limits. At the same time, DOT is committed to combat any emerging trends toward speeding on our public roads. The third and final report on the safety impact of the 65 MPH speed limit required by Congress is due to be submitted by the end of calendar year 1990. At that time, we will assess the impact to determine what next steps are appropriate.

On September 8, 1989, the Secretary of Transportation wrote to the Governors to enlist their support and participation in a nationwide campaign to discourage speeding, urging them to review their speed data and programs and, where appropriate, to implement new initiatives to deter speeding. The response from the Governors has been very positive, and NHTSA continues to help the States with technical assistance, training, and identification of new enforcement strategies.

DOT has also called for a Traffic Law Enforcement Summit, to be held in April in Chicago, and one of the major issues to be discussed will be speeding and how we can achieve better compliance with all posted speed limits. About 170 law enforcement administrators from State, county, and municipal agencies will participate. We will also discuss with them drunk and drugged driving, occupant protection, and commercial motor vehicle safety.

CAR WINDOW TINTING

Mr. LEHMAN. Mr. Secretary, interest has been growing in South Florida over how dark car windows should be. The benefits of some tinting are obvious, especially in sunny Florida, but at some point questions arise on whether cars with dark windows are safe to drive. NHTSA's standards cover manufacturer and repair shop applied tinting. Florida's operating standards are aimed at the individual driver and vehicle and, like other states, Florida permits cars to be driven with much darker windows than NHTSA allows.

I will be talking with General Curry about this when he comes before our Committee, and maybe before, but I wanted to raise a couple of questions today. First, what is the current state of our knowledge? Have there been any recent studies of the effects of various levels of tinting on depth perception, night vision, or other faculties that affect safety? Do we even know what levels of light transmittance are safe under various driving conditions?

Second, what is the picture on enforcement, particularly at the state level? Has NHTSA developed or identified ways to make detection of non-complying windows easy and accurate for local law enforcement personnel? Are there certification displays that work?

Are there measuring devices accurate and cheap enough for police use? Is such information routinely disseminated to the states? Finally, is there a need for a national standard and should the Federal Government establish and enforce such a standard?

My wife and I had an experience with one of these kinds of cars. It didn't turn out very well. Since then, there was an item in the paper about that. Many people said, can't you do something about these ominous type of cars with these blacked-out windows? I have noticed how many there are since this incident happened to me and my wife.

Mr. SKINNER. As you know, NHTSA does regulate the amount of tinting in glasses for new cars manufactured in the United States.

The standard is that 70 percent of available light must be transmitted through the windows. That is enough to see who is inside.

We don't regulate the after market. As you know, one can buy shields at a parts store and place them over the window, which basically tints the window beyond the 70 percent. We have a rulemaking pending. This will be a subject of discussion at the law enforcement summit in April.

Mr. LEHMAN. Where is the summit?

Mr. SKINNER. In Chicago.

Mr. LEHMAN. We will tune in on that. I understand from Congressman Montgomery, they have a law in Mississippi that he says is enforcible, workable and has eliminated these kinds of vendors. I have not checked into that fully. There is a problem, especially in the sun belt areas. You look at these cars and you feel like, as I say, there is something ominous about them.

Mr. SKINNER. I understand the problem completely. Law enforcement feels as strongly as you do about it.

PASSIVE RESTRAINT AND SIDE IMPACT RULES

Mr. LEHMAN. Two rulemakings of particular interest to the Committee are the "208" passive restraint NPRM, notice of proposed rulemaking, for light trucks and vans and the side-impact NPRM for passenger cars. Would you update us on the status of these rulemakings, including when the NPRM was issued, when the comment period ended and when we might expect a final rule?

Mr. SKINNER. Well, on January 9, 1990, the NPRM was issued on passive restraints for vans and light trucks. Public comments are due by March 12. The final rule is expected to be issued in September. To encourage the production of air bags, vehicles with a driver side airbag would be allowed to have a passenger side manual belt until September 1, 1997.

On January 27, 1988, an NPRM was published to require side impact crash protection in passenger cars. Testing is ongoing now. We expect to issue a rule in the summer of 1990.

Mr. LEHMAN. Have you seen the new Volvo stationwagon?

Mr. SKINNER. I don't know if I have seen those. If you mean the ads where they are advertising——

Mr. LEHMAN. How much safer the Volvo stationwagon is than the American type of mini-van?

Mr. SKINNER. No.

Mr. LEHMAN. Which implies our mini-vans aren't safe.

Secretary SKINNER. I think what the automobile manufacturers have started to do now, Chrysler has a big ad program—is to advertise safety. They are advertising very significantly. I think that is a positive program. That is millions of dollars of free advertising on the importance of safety. I am very encouraged. I am disappointed that all the companies aren't doing it and that they all don't have the same standards.

While this rule has languished for some time, I told the committee early on that I would move it. We are moving it with a deadline, this summer of 1990.

Mr. LEHMAN. Check out that ad.

Secretary SKINNER. I will.

COAST GUARD REDUCTIONS DUE TO SEQUESTRATION

Mr. LEHMAN. The fiscal year 1990 funding level for operating expenses of the Coast Guard is about $2.217 billion, including DOD direct and in-kind funds and the reductions imposed by sequestration, which is at least $10 million below the level originally recommended by our Committee. What reductions are being made by the Coast Guard to operate within the sequestered level? It was indicated that, last year, if this kind of reduction went into effect, you would have to curtail some of your operations.

Mr. SKINNER. We have. It has had some effect. The impact is $29.7 million in total. One of the things that has mitigated that is that we received reimbursements for monies we spent last year—approximately $20 million from the Exxon Corporation. That has largely offset, thanks to this committee, the $29.7 million that was a result of the sequestration. The $8.4 million left in Operating Expenses had to be absorbed by 2.6 percent across-the-board reductions in all major maintenance activities. We have been able to live with it. A certain amount of flying time, and other activities have been impacted by this 2.6 percent cut.

We have not been able to bring Selected Reserve Forces to the level we would like. In R&D we had a $273,000 sequester. That will be absorbed by across-the-board reductions in all projects.

Mr. LEHMAN. Is this reduction in drug patrols?

Mr. SKINNER. It is across the board. Every program has been impacted a little bit.

Mr. LEHMAN. Maybe for the record, you could give us some indication of the level?

Mr. SKINNER. Yes. It is basically a 2.6-percent across-the-board cut in all activities. We will give you a report on where the impact is.

[The information follows:]

Overall, Coast Guard must absorb $29.7 million in Gramm-Rudman-Hollings reductions, including $28.4 million in Operating Expenses (OE). This is 0.9% below the FY 1990 conference level.

The impact in OE is mitigated by the offset of $20 million in Exxon reimbursements for last year's Coast Guard expenses associated with Exxon Valdez. This approach is consistent with direction in the FY 1990 Conference Report that allowed Coast Guard to retain Exxon reimbursements in OE and use them in FY 1990. The balance of the reduction in OE ($8.4 million) will be absorbed by a one-time 2.6% across-the-board reduction in all major (i.e. non-routine, depot-level) maintenance activities.

In Reserve Training, the sequester of $1 million will restrict Selected Reserve force growth to 12,050, vice the planning figure of 12,300. In the $20 million R&D account, the $273 thousand sequester will be absorbed through an across-the-board reduction in all projects.

COAST GUARD DRUG INTERDICTION PRIORITIES

Mr. LEHMAN. Your fiscal year 1991 request continues the recent trend, which this Committee has fully supported, of providing increased funding for the Coast Guard's drug interdiction program. You are requesting $731.5 million, an increase of 8 percent over fiscal year 1990, for these activities. Of course, this is only one part of a multi-agency program to reduce and prevent drug abuse in this country. It is my personal belief that the war on drugs isn't going to be won in the waters of the Atlantic or the jungles of Columbia, but on the streets of America.

Nevertheless, we must continue and improve our interdiction efforts. I have two concerns in this area: First, is the Coast Guard's interdiction program focused on the right drug; in other words, as the consumers' choice in drugs changes from marijuana to cocaine to ice, are you making sufficient changes in the Coast Guard's interdiction strategy? Secondly, have you developed standards of performance measures so that we can evaluate the effectiveness of the Coast Guard's interdiction program?

Mr. SKINNER. I believe the Coast Guard is probably the most effective organization involved in the fight against drugs. The drug interdiction effort is primarily geared to the Atlantic Coast, and some of the Pacific coast, on cocaine. That is the drug of choice in today's environment.

Last year, we seized more pounds of cocaine through the drug interdiction effort than we have ever seized before. I think, given the problem, it is very effective. There is no question that this alone isn't going to solve the drug problem in America. It will be more and more difficult to make these seizures. As the program becomes effective, the smugglers use other ways to get the drugs into the country. It is much the same way with the national defense. Are you safer because you have got your defenses up? The answer is yes. The more defense you have, the safer you are. I think the program is working. They are making substantial seizures. I think the trend in marijuana has decreased. And in cocaine, even though the use of the drug has increased substantially, we interdicted more cocaine last year than we did before.

RECENT COAST GUARD ENCOUNTER WITH DRUG SMUGGLER

Mr. COUGHLIN. You recently had an incident with a Panamanian vessel. I understand the M-60 fire bounced over the vessel and the 20-millimeter fire was not able to disable it. Are you going to get them Harpoon missiles or——

Mr. SKINNER. The Coast Guard vessel was a 110-foot cutter. That is not made for major combat. What happened was after the machine gun fire didn't disable the ship, they put the cannon fire into it. It began to smoke. It looked like it had been disabled. But before it was totally disabled, it got within Mexican waters, within the 12-mile limit. Therefore, we could not pursue the craft any further. I think had we had a little more time or opened up with the 20-millimeter cannon a little earlier, they might not have made Mexico.

Mr. COUGHLIN. It sounds like the skipper of that Coast Guard vessel did a good job.

Mr. SKINNER. Yes. When he woke up that morning, he had no idea he would be the only American combatant for the month. I hope to recognize him when he returns. I think the Coast Guard would have been able to board and take control of the vessel had it not sailed into Mexican waters.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. LEHMAN. They dumped contraband overseas?

Mr. **Skinner**. We are not sure. Once we got into the borders of Mexico, the Mexican authorities took jurisdiction.

AMTRAK FUNDING ISSUES

Mr. **Lehman**. I think we have all been impressed by the job Graham Claytor has done at Amtrak. The Corporation's revenue-to-cost ratio continues to improve every year. However, for the sixth consecutive year, no Federal grants have been requested for Amtrak. Do you believe it is possible for Amtrak to operate without Federal grants? If so, what is the basis for this belief; and if not, what is the rationale for your budget proposal and what is your estimate of the Federal liability for labor protection if Amtrak were to cease operations?

Mr. **Skinner**. Well, I do believe Amtrak can be self-sufficient. I think if some of the things we talked about are done, it will become self-sufficient. I think it plays an important role, especially in the Northeast Corridor. I look forward to the time when it is self-sufficient.

Obviously, if Amtrak were to cease operation, they would have certain liabilities under current labor agreements. Labor protection would be the obligation not of the Federal Government, but of Amtrak. To the degree that assets existed, they could be used for that liability. I don't know that responsibility falls on the Federal Government for the $2.1 billion over six years that would be required as a discontinuation payment. I don't think the discontinuation of Amtrak is going to happen. If we can get some of these changes made, I think they can become self-sufficient.

Mr. **Lehman**. You mentioned antiquated work rules and liability laws. That has to be done at the authorizing level. We couldn't do it here. I just wonder whether you have been in touch with the Chairman of the Energy and Commerce Committee and whether you have had any words of encouragement about legislation that would reduce some of those expenses to Amtrak?

Mr. **Skinner**. Mr. Claytor, the President, is doing an outstanding job at Amtrak, and has had those conversations on a regular basis. My main conversations have been with Mr. Claytor. Most of the areas he has identified, and he has been working on them as chairman of Amtrak, which is the proper way to work them.

AMTRAK FUNDING OF RAILROAD RETIREMENT COSTS

Mr. **Lehman**. Mr. Coughlin.

Mr. **Coughlin**. Thank you. One of the areas I think Mr. Claytor is concerned about is the fact that he feels he is bearing an unfair share of railroad retirement costs. He is not only helping to pay for the retirement for retired Amtrak employees, but also other railroad employees. Have you looked into that at all?

Mr. **Skinner**. Yes. That obviously has—because they are railroad employees, although they are not freight railroad employees—some significant implications. One number I saw was maybe $8 million for the railroad employment retirement contribution. We hope we can make changes in that as we go forward. I think the time has come to assess realistically what role they can play.

Mr. COUGHLIN. Doesn't your transportation policy include passenger rail service as part of an integrated transportation system?

Mr. SKINNER. Yes, it does point out that it can have a significant role. It also calls for the elimination of unprofitable routes that are clearly unwarranted, although viewed somewhat conversely on the Hill.

MASS TRANSIT AND URBAN CONGESTION

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. LEHMAN. Thank you. A recent GAO report stated that between 1983 and 1987, the percentage of rush hour travel under congested conditions on urban interstates increased from 54 percent to 65 percent and that by the year 2005, we could be spending 3.9 billion hours a year sitting in gridlocked traffic. Obviously, it will be difficult, if not impossible, to solve this problem by adding new highway capacity. That leaves mass transit and transportation systems management. You are requestng significant increases for systems management programs, but, as the same time, you are proposing to eliminate Federal transit operating assistance to the large metropolitan areas. Why shouldn't we have a balanced approach to addressing our growing urban congestion problem?

[The information follows:]

We should have a balanced approach. However, it's not clear that the availability of transit operating assistance, especially to areas over 1 million, has had a direct impact on relieving congestion or improving air quality. Admittedly, travel cost, measured in terms of both dollars and convenience, is a prime factor in switching people from cars to transit. One could argue that the availability of Federal operating assistance would help keep fares down and thus make transit more price competitive.

However, Federal operating assistance in large urban areas over 1 million population only accounts for 6% of their operating budgets. So its absence is unlikely to cause significant fare increases. Moreover, many areas would make up the difference by simply shifting non-Federal funds that had been used for capital projects.

Finally, the way to address congestion is through well-targeted incentives or disincentives—such as promotion of high occupancy vehicle use, improving traffic flow through better traffic engineering, rather than providing Federal operating assistance for transit.

NEED FOR FORMULA AND DISCRETIONARY TRANSIT GRANTS

Mr. LEHMAN. Unlike past years when the Administration proposed eliminating UMTA's discretionary grant program, you are requesting funds for both discretionary grants and formula grants. Based on your experience at the local level, as well as at the Federal level, do you believe there is a continuing need for both types of assistance?

Mr. SKINNER. This is the last year before reauthorization. We are not proposing any changes or any termination of formula grants. I still believe that it is an open issue whether a trust-funded discretionary grant program should continue after 1991. A formula program, I think, has done a better job in meeting urban and renewal needs.

I am anxious to work with the committee on establishing strict guidelines to ensure that cost-effective projects are funded. I am concerned about the use of limited funds on projects that clearly cannot be justified. It appears to me that when we do that, we undermine the whole program.

Mr. LEHMAN. I want to tell you how much of a good job is done in that respect.

Mr. SKINNER. Thank you. I will pass that on.

COMMERCIAL SPACE LAUNCH INDUSTRY

Mr. LEHMAN. What is the current state of the commercial space launch industry in the United States, what improvements have been made as a result of DOT's role, and what is your estimate of the future viability of that industry, given the strong overseas competition?

Mr. SKINNER. I think it does have an opportunity. We have had two launches in fiscal year 1989, and a third launch on December 31, 1989. We expect 20 launches in 1990. There are a number of companies who are interested. We have to make sure we have the facilities available in this country for commercial space launches.

Right now, we are competing with facilities that are manned and operated by NASA and the Air Force. I look forward to meeting with the Space Council shortly to discuss how we are going to fund and get some investment into a commercial space launch facility that makes sense. We are not going to be able to compete effectively if we don't have a launch facility that we have significant control over, so we can give those that wish to launch a reasonable date that they can count on. When we have to compete for priority with the NASA and the Federal Government for the limited windows of opportunity, we tie the commercial space industry's hands, at least one of their hands, behind their back.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. That leaves me in a great quandary. In my other Subcommittee, I have NASA. NASA costs a great deal of money. One way we could recoup some of that money is if NASA was able to compete with Arian and others for commercial launches. I am not totally convinced that we shouldn't be letting NASA do that, because I don't see us competing with Arian very well commercially today.

Mr. SKINNER. We are. I don't think NASA has a great interest in doing that. Plus, NASA doesn't do it on a commercial basis. As a result of the space program being set back for several years, there is a backlog of classified launches and missions. I am not optimistic that NASA has the capabilities or the desire to participate in this industry. I think we have got to be major players. If you want to be a major player in commercial space, you have to give the commercial space launches a date that they can count on and to give them some kind of reasonable priority. There certainly is an industry in Europe. If the Europeans are able to launch an industry, why can't we do it? The answer is that the Europeans aren't competing with NASA and the Air Force for valued launch time and launch space on government-controlled pads.

Mr. COUGHLIN. I would also suggest that Arian and some of the European launch vessels are fairly heavily subsidized by the government.

Mr. **Skinner**. I think a lot of this problem, frankly, Congressman, could be eliminated if, in fact, we had a commitment and we had a dedicated launch site for the commercial space industry. There are a number of available launch sites in Florida, Congressman Lehman's home State, that are not used.

With a certain amount of commitment from the Federal Government, they could be converted into commercial space launch sites that would not compete with NASA and everybody else. It could do it on a more effective basis, I suggest, than if we had to allocate a portion of NASA's costs to a commercial space launch. I suggest if past experience is any indication, we probably would not be cost-effective if NASA and the Federal govenrment ran the program.

Mr. **Coughlin**. Thank you, Mr. Chairman.

Mr. **Lehman**. Mr. DeLay.

Mr. **DeLay**. No questions.

Mr. **Lehman**. We have a few questions for the record. Mr. Gray and Mr. Sabo have a few questions for the record also.

One last question. Are you still enjoying your job?

Mr. **Skinner**. Yes.

TRANSPORTATION RESEARCH EXPENDITURES

Mr. **Lehman**. Would you update for the record the tables concerning transportation research included on pages 87 through 91 of last year's hearing record?

[The information follows:]

DEPARTMENT OF TRANSPORTATION
CONDUCT OF RESEARCH AND DEVELOPMENT
($ in Millions)

ADMINISTRATION / APPROPRIATION	OBLIGATIONS			OUTLAYS		
	1989	1990	1991	1989	1990	1991
FEDERAL HIGHWAY ADMINISTRATION	90.3	82.2	105.6	76.5	74.2	81.4
Federal - Aid Highways:						
Strategic Highway Research Program	37.1	30.9	30.9	29.5	34.6	33.2
Highway Research, Dev. & Technology	12.9	14.0	44.1	9.3	11.9	18.9
Highway Planning and Research	32.3	23.9	23.9	26.3	19.5	19.5
Highway Safety Research & Development	5.0	7.2	0.0	10.5	5.5	5.4
Motor Carrier Safety	3.0	1.3	1.8	1.0	1.7	1.9
University Transportation Centers	0.0	5.0	5.0	0.0	1.0	2.6
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION 1/						
Operations and Research	29.7	27.7	29.6	28.5	28.7	28.7
FEDERAL RAILROAD ADMINISTRATION						
Railroad Research and Development	9.0	12.5	15.5	6.7	15.1	14.4
URBAN MASS TRANSPORTATION ADMINISTRATION						
Research, Training, and Human Resources	1.4	1.6	1.6	2.0	2.5	2.1
FEDERAL AVIATION ADMINISTRATION	146.8	215.2	205.3	141.0	194.8	207.5
Research, Engineering and Development	135.5	200.3	190.0	127.6	179.4	201.0
Operations	11.2	14.9	15.3	13.1	13.4	6.6
Facilities, Engineering, & Development	0.0	0.0	0.0	0.3	2.0	0.0
U.S. COAST GUARD						
Research, Development, Test and Evaluation	17.9	21.0	23.0	18.1	17.3	22.0
MARITIME ADMINISTRATION						
Research and Development	0.0	0.0	0.0	0.0	0.0	2.0
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION	2.0	2.6	2.3	1.6	2.1	1.9
Research and Special Programs	1.4	1.9	1.6	1.4	1.7	1.7
Pipeline Safety	0.7	0.7	0.7	0.3	0.3	0.3
OFFICE OF THE SECRETARY	5.5	7.1	7.2	4.2	6.6	8.2
Transportation, Planning, Research and Development	5.5	7.1	4.0	4.2	6.6	5.7
Office of Commercial Space Trans.- Operations and Research	0.0	0.0	3.2	0.0	0.0	2.5
TOTAL DOT	302.6	369.9	390.2	278.6	341.2	368.2

1/ Outlays for NHTSA reflect corrections made to the President's Budget submission.

DEPARTMENT OF TRANSPORTATION
RESEARCH AND DEVELOPMENT FACILITIES
($ in Millions)

ADMINISTRATION / APPROPRIATION	OBLIGATIONS			OUTLAYS		
	1989	1990	1991	1989	1990	1991
FEDERAL RAILROAD ADMINISTRATION						
Railroad Research and Development	0.0	0.8	1.5	0.3	0.1	0.9
FEDERAL AVIATION ADMINISTRATION						
Facilities and Equipment	15.5	18.6	20.8	12.6	14.3	16.4
TOTAL DOT	15.5	19.3	22.3	12.9	14.4	17.3

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF OBLIGATIONS FOR CONDUCT
OF RESEARCH AND DEVELOPMENT
($ in Millions)

ADMINISTRATION	1990	1991	DIFFERENCE	REMARKS
FEDERAL HIGHWAY ADMINISTRATION	82	106	23	Continues support for research programs in highway planning, design, construction, and maintenance to insure a safe, effective and efficient highway system. The University Transportation Centers Program provides the academic highway community access to the state-of-the-art technology by the establishment of Transportation Centers. The Centers inturn establish Institutes, which provide for interdisciplinary research at colleges and universities. Over one half of the program increases for FY 1991 are for FHWA restructured "Highway Science and Technology" initiatives. Additional increases are for the Highway Use Tax Evasion Project, International Transportation Activities, and for Highway Usage Data activities. Research will also be conducted in identifying and correcting impediments to highway safety, improving common carrier safety, developing smart car technology and a driver simulator. (jointly with NHTSA)
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION 1/	28	30	2	Provides for motor vehicle research, highway safety research and demonstration programs. In FY 1991 increases are requested for crashworthiness and crash avoidance research and highway safety research.
FEDERAL RAILROAD ADMINISTRATION	13	15	3	Provides for science and technology support for safety rulemaking and enforcement and to stimulate beneficial technology advances in maglev and very high speed intercity ground guided transportation systems.
URBAN MASS TRANSPORTATION ADMINISTRATION	2	2	0	Supports research, training, and human resources programs in all phases of urban mass transportation services to contribute toward meeting total urban transportation needs at minimum costs. In addition, UMTA supports interdisciplinary research at colleges and universities, including training of personnel to conduct further research or to obtain employment in urban mass transportation planning, construction, operation or management.

ADMINISTRATION	1990	1991	DIFFERENCE	REMARKS
FEDERAL AVIATION ADMINISTRATION	215	205	(10)	This funding level is consistent with the National Airspace System Plan, including major initiatives to continue the project on System Concept definition for pilots' visual imaging during IFR conditions; developing new automation systems to meet ATC demands; the Traffic Alert and Collision Avoidance System (TCAS) Program; research efforts increasing system and airports capacity; the Advanced Traffic Management and Automated Enroute Air Traffic Control (AERA) ; the development of radars for detection and tracking of severe weather ; emphasis on initiatives in aviation security through expedited development of devices for detection of weapons, explosives and flammable liquids; non-destructive testing/inspection of aging aircraft and work force optimization research into biomedical/human performance factors. (includes $15 million in Operations for planning, monitoring, and coordinating FAA's Research program)
U.S. COAST GUARD	21	23	2	Supports research to maintain and improve search and rescue systems, environmental protection, marine safety, aids to navigation, enforcement of laws and treaties, and activities which benefit all Coast Guard programs.
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION	3	2	(0)	Provides for R&D in hazardous materials, pipeline safety, emergency transportation and research and technology.
OFFICE OF THE SECRETARY	7	7	0	Supports broad-based policy research on domestic and international transportation issues of importance to the nation, and research in support of licensing and promoting expendable launch vehicles.
TOTAL DOT	370	390	20	

Note: Totals may not add due to rounding.

POSITIONS AND EMPLOYMENT INFORMATION

Mr. LEHMAN. Would you provide a table similar to the one on pages 93 and 94 of last year's hearing record indicating by appropriation your present employment, currently authorized positions, and positions requested for fiscal year 1991?

[The information follows:]

DEPARTMENT OF TRANSPORTATION

AUTHORIZED POSITIONS AND EMPLOYMENT

ADMINISTRATION/APPROPRIATION	AUTHORIZED POSITIONS FY 1990	2/15/90 EMPLOYMENT 1/	AUTHORIZED POSITIONS FY 1991
FEDERAL HIGHWAY ADMINISTRATION	3,697	3,361	3,697
Motor Carrier Safety	633	426	633
Limitation on Gen. Oper. Expense	2,621	2,496	2,621
Federal-Aid Highways	428	427	428
Miscellaneous Trust Funds	15	12	15
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
Operations and Research	656	627	665
FEDERAL RAILROAD ADMINISTRATION	697	575	709
Office of the Administrator	196	169	195
Railroad Safety	486	394	498
Railroad Research & Development	15	12	16
URBAN MASS TRANSPORTATION ADMINISTRATION			
Administrative Expenses	400	413	410
FEDERAL AVIATION ADMINISTRATION	52,770	49,866	54,136
Operations	50,696	47,899	51,662
Facilities and Equipment	1,421	1,342	1,798
Research, Eng. & Development	651	623	674
Aviation Insurance Revolving Fund	2	2	2
U S COAST GUARD	44,028	42,470	44,629
Operating Expenses	4,649	4,251	4,794
Acquisition, Construction, & Improvements	230	190	238
Reserve Training	112	77	112
Research, Development, Test, & Evaluation	71	52	78
CG Yard Fund	654	621	654
Subtotal - Civilian	5,716	5,191	5,876
Military	38,312	37,279 2/	38,753
MARITIME ADMINISTRATION			
Operations and Training	1,049	1,010	1,063

1/ Full-time with permanent appointments
2/ Data as of 1/31/90

DEPARTMENT OF TRANSPORTATION

AUTHORIZED POSITIONS AND EMPLOYMENT

ADMINISTRATION/APPROPRIATION	AUTHORIZED POSITIONS FY 1990	2/15/90 EMPLOYMENT 1/	AUTHORIZED POSITIONS FY 1991
ST LAWRENCE SEAWAY DEVELOPMENT CORPORATION			
Saint Lawrence Seaway Development Corp.	179	156	179
OFFICE OF THE INSPECTOR GENERAL			
Salaries and Expenses	470	457	470
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION	732	716	746
Research and Special Programs	163	150	171
Pipeline Safety	51	42	60
Transportation Systems Center	518	524	515
OFFICE OF THE SECRETARY	1,040	930	1,040
Salaries and Expenses	696	601	669
Transportation Planning,Research and Dev.	33	28	23
Office of Commercial Space Transportation -Operations and Research	0	0	29
Working Capital Fund	311	301	319
ICC RAIL PROGRAMS			
Activities Transferred from Salaries and Expenses, ICC	0	0	224
TOTAL CIVILIAN	67,406	63,302	69,215
TOTAL MILITARY	38,312	37,279	38,753
GRAND TOTAL	105,718	100,581	107,968

1/ Full-time with permanent appointments

POSITION LEVEL CHANGES

Mr. **Lehman**. Would you provide, by appropriation, the changes, if any, in fiscal year 1990 positions from the Congressionally approved level for fiscal year 1990?

[The information follows:]

There are no changes in authorized positions from the Congressionally approved level in fiscal year 1990. The following table lists those positions by appropriation:

Department of Transportation fiscal year 1990 authorized positions [1]

Administration/Appropriation:	*Approved by Congress 1990 estimate*
Federal Highway Administration:	
Motor carrier safety	633
Limitation on GOE	2,621
Federal-aid highways	239
Subtotal, FHWA	3,493
National Highway Traffic Safety Administration:	
Operations and research (general)	504
Operations and research (transportation)	152
Subtotal, NHTSA	656
Federal Railroad Administration:	
Office of the Administrator	196
Railroad safety	486
Railroad R&D	15
Subtotal, FRA	697
Urban Mass Transportation Administration: Administrative expenses	400
Federal Aviation Administration:	
Operations	50,196
Aviation insurance revenue fund	2
Facilities and equipment	1,368
Research engineering and development	645
Subtotal, FAA	52,211
U.S. Coast Guard:	
Operating expenses:	
Civilian	4,632
Military	[2]37,129
Acquisition Construction and Improvement:	
Civilian	230
Military	387
Reserve training:	
Civilian	112
Military	599
Research Development Test and Evaluations:	
Civilian	71
Military	42
Yard fund:	
Civilian	654
Military	24
Subtotal, USCG civilian	5,699
Subtotal, USCG military	38,181
St. Lawrence Seaway Development Corp.	179
Office of the Inspector General: Salaries and expenses	470
Research and Specifications Programs Administration:	
Research and specifications programs	163
Pipeline safety	51

	1990 estimate
Transportation systems center	518
Subtotal, RSPA	732
Office of the Secretary:	
Salaries and expenses	682
Transportation Planning Research and Development	33
Working capital fund	311
Subtotal, OST	1,026
Total, DOT	103,744
Civilian	65,563
Military	38,181

[1] Excludes reimbursements and allocations.

[2] Includes 81 in drug interdiction amendment.

FTE EMPLOYMENT

Mr. LEHMAN. Would you provide a similar breakdown of the employment changes for your department as shown on page A-77 (Table D-1) of the President's budget?

[The information follows:]

DEPARTMENT OF TRANSPORTATION
FULL-TIME EQUIVALENT OF
FEDERAL CIVILIAN EMPLOYMENT
(Subject to ceiling)

ADMINISTRATION/APPROPRIATION	FY 1990 EST	FY 1991 EST
FEDERAL HIGHWAY ADMINISTRATION	3,702	3,794
Motor Carrier Safety	510	602
Limitation on Gen. Oper. Expense	2,675	2,675
Federal-Aid Highways	501	501
Miscellaneous Trust Funds	16	16
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION		
Operations and Research	659	666
FEDERAL RAILROAD ADMINISTRATION	624	675
Office of the Administrator	182	185
Railroad Safety	427	474
Railroad Research & Development	15	16
URBAN MASS TRANSPORTATION ADMINISTRATION		
Administrative Expenses	415	425
FEDERAL AVIATION ADMINISTRATION	51,085	52,768
Operations	49,025	50,493
Facilities and Equipment	1,379	1,569
Research, Eng. & Development	679	704
Aviation Insurance Revolving Fund	2	2
U S COAST GUARD	5,578	5,702
Operating Expenses	4,543	4,657
Acquisition, Construction, & Improvements	227	231
Reserve Training	106	106
Research, Development, Test, & Evaluation	70	76
CG Yard Fund	632	632
MARITIME ADMINISTRATION		
Operations and Training	1,078	1,100

DEPARTMENT OF TRANSPORTATION
FULL-TIME EQUIVALENT OF
FEDERAL CIVILIAN EMPLOYMENT
(Subject to ceiling)

ADMINISTRATION/APPROPRIATION	FY 1990 EST	FY 1991 EST
ST LAWRENCE SEAWAY DEVELOPMENT CORPORATION		
Saint Lawrence Seaway Development Corp.	179	179
OFFICE OF THE INSPECTOR GENERAL		
Salaries and Expenses	462	462
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION	718	723
Research and Special Programs	158	164
Pipeline Safety	50	55
Transportation Systems Center	510	504
OFFICE OF THE SECRETARY	1,014	1,022
Salaries and Expenses	665	651
Transportation Planning,Research and Dev.	32	22
Office of Commercial Space Transportation -Operations and Research	0	24
Working Capital Fund	317	325
ICC RAIL PROGRAMS		
Activities Transferred from Salaries and Expenses, ICC	0	224
DOT TOTAL	65,514	67,740

AIR TRAFFIC CONTROLLER WORKFORCE EMPLOYMENT

Mr. LEHMAN. Would you update for the record, starting with June 30, 1988, the table of air traffic controller employment included on page 101 of last year's hearing record?

[The information follows:]

The chart below provides the monthly controller workforce employment for the period June 30, 1988 through January 31, 1990. This data is consistent with the monthly controller work force reports to Congress.

	FPL	Other operational 1/	First line supervisors	Total operational	Developmental pipeline	Total controller work force
June 30, 1988	9,313	2,691	2,051	14,055	2,112	16,167
July 31, 1988	9,431	2,660	2,052	14,143	2,103	16,246
August 31, 1988	9,590	2,635	2,064	14,289	2,041	16,330
September 30, 1988	9,858	2,594	1,999	14,451	1,985	16,436
October 31, 1988	9,684	2,683	2,069	14,436	1,920	16,356
November 30, 1988	9,662	2,746	2,082	14,490	1,824	16,314
December 31, 1988	9,646	2,785	2,058	14,489	1,748	16,237
January 31, 1989	9,557	2,886	2,103	14,546	1,776	16,322
February 28, 1989	9,588	2,911	2,107	14,606	1,769	16,375
March 31, 1989	9,633	2,952	2,117	14,702	1,743	16,445
April 30, 1989	9,689	2,924	2,151	14,764	1,700	16,464
May 31, 1989	9,831	2,846	2,145	14,822	1,639	16,461
June 30, 1989	9,905	2,789	2,185	14,879	1,675	16,554
July 31, 1989	9,993	2,741	2,182	14,916	1,702	16,618
August 31, 1989	10,107	2,670	2,193	14,970	1,771	16,741
September 30, 1989	10,232	2,628	2,156	15,016	1,816	16,832
October 31, 1989	10,179	2,689	2,185	15,053	1,841	16,894
November 30, 1989	10,259	2,698	2,182	15,139	1,845	16,984
December 31, 1989	10,234	2,689	2,175	15,098	1,823	16,921
January 30, 1990	10,226	2,730	2,191	15,147	1,856	17,003

1/ Includes FPL grade level controllers not yet fully certified on all positions in their current facilities.

APPROPRIATIONS REQUIRING AUTHORIZATIONS

Mr. **Lehman**. Would you have your staff prepare and submit for the record a summary of all your fiscal year 1991 appropriation requests requiring legislative authorizations?

[The information follows:]

Authorizing legislation: Department of Transportation, fiscal year 1991 amounts requiring authorizing legislation

[In thousands of dollars]

National Highway Traffic Safety Administration: Operations and Research (General Funds)	76,376
Federal Railroad Administration: Railroad Safety	36,500
Federal Aviation Administration:	
Operation	2,846,000
Facilities and Equipment	2,500,000
Research, Engineering and Development	190,000
U.S. Coast Guard:	
Operating Expenses	10,000
Environmental Compliance and Restoration	7,000
Alteration of Bridges	−7,500
Research and Special Program Administration: Research and Special Programs	9,639

PENDING RESCISSIONS AND DEFERRALS

Mr. **Lehman**. Would you also have them submit for the record a listing of all pending rescissions and deferrals?

[The information follows:]

	Thousands
Rescissions	0
Deferrals: FAA Facilities and Equipment (full funding)	$1,175,425

NEW LEGISLATIVE PROPOSALS

Mr. **Lehman**. Would you provide a brief summary of any new legislative proposals that will have an impact on your fiscal year 1991 budget?

[The information follows:]

Among the bills being considered for submission to the Congress that will have an impact on the fiscal year 1991 budget are:

Reauthorization of Airport and Airway Improvement Program—Legislation would increase and extend for five years all capital authorizations, including airport grants, and would raise the passenger ticket user fee from 8% to 10%. The so-called "aviation tax trigger" would also be repealed for FY 1991. The legislation will also propose to end the federal ban on "passenger facility charges". These provisions will together funds substantial new airport capacity.

Rail Safety Reauthorization—Legislation would extend program authorizations through FY 1992 and establish user fees to recover more than 50% of rail safety program costs in FY 1991 and 100% in FY 1992.

Several bills are still pending before Congress and do not need to be resubmitted, e.g., sunset of the Interstate Commerce Commission, and transfer of responsibility for alteration of bridges that are obstructions to navigation from the U.S. Coast Guard to the Army Corps of Engineers.

Coast Guard User Fees—Legislation would provide for the (1) sale of an annual decal to all commercial and recreational boaters operating on waters subject to CG jurisdiction and; (2) recovery of specific services, e.g., licensing of mariners and certification of vessels. Consideration is also being given to an alternative to a flat $25 fee that would escalate with vessel size.

Oil Spill Liability—Legislation already pending in the Congress will require additional funding for CG Operating Expenses and Acquisition, Construction, and Improvements.

AUTHORIZATIONS FOR ALL FUNDING REQUESTS

Mr. LEHMAN. Would you provide the Committee with a listing of all dollar requests and proposed bill language along with the corresponding authorization citation for each item?

[The information follows:]

The requested information will be provided separately to the Committee.

A-76 SAVINGS

Mr. LEHMAN. Would you provide a breakdown of the A-76 dollar savings by agency for fiscal years 1989, 1990, and 1991?

[The information follows:]

SAVINGS FROM A-76

[In millions of dollars]

	1989	1990 (estimate)	1991 (estimate)
FAA	2.3	3.3	1.3
Coast Guard	1.3	2.4	
MARAD		3	
Total	3.6	6.0	1.3

OUTLAY SPENDOUT RATES

Mr. LEHMAN. Please also provide a breakdown of the spendout rates for each appropriation in the last six appropriations bills (excluding supplementals)?

[The information follows:]

The tables listed below provide a breakout of spendout rates for each appropriation in the last eight appropriation bills. Since it is not possible to distinguish outlays resulting from regular appropriations from outlays resulting from supplementals or transferred amounts, supplementals and transfers (in) of budget authority and unobligated balances are included.

Actual outlay spendouts are provided for all annual and multi-year accounts. Spendouts for annual and multi-year accounts are identifiable in the year(s) for which the budget authority is available and for two years after the availability expires. Thereafter, the outlays are merged into an "M" account and are not identifiable by year.

For most no-year accounts there is no way to identify the actual outlay spendout by year, i.e., the outlays in any given year could result from appropriations in the current year or any previous year. For these accounts, the actual outlays have been prorated by year, using the most recent outlay spending factors.

DEPARTMENT OF TRANSPORTATION
Outlay Spendout Rates
($ in Thousands)

Federal Highway Administration		Budget Authority	Outlays							
			1982	1983	1984	1985	1986	1987	1988	1989
Motor Carrier Safety (Annual)	1982	9,593	8,217	924	3					
	1983	12,280		10,848	1,057	74				
	1984	12,520			10,950	637	35			
	1985	12,740				11,374	835	95		
	1986	12,390					10,616	1,521	44	
	1987	17,915						14,565	2,100	137
	1988	20,870							18,445	2,171
	1989	25,080								20,802
Access Highways to Public Recreation Areas on Certain Lakes (Multi-Year)	1982	9,650	4,550	1,650	1,839	464	214			
	1983	20,798		2,748	9,633	2,906	1,158			
	1984	4,270			1,374	854	210			
	1985	5,000					1,473	1,791		
Mianus Bridge (Annual)	1984	1,000			163	279		55	51	
Motor Carrier Safety Grants (Multi-Year)	1984	8,000			1,671	4,258	1,811	260		
	1985	14,000				4,814	6,711	2,005	429	41
	1986	16,269					5,076	8,677	2,187	29
	1987	269							269	
Highway Safety Separation Demonstration (No-Year)	1985	12,000				49	881	4,487	5,564	910
Auto-Pedestrian Separation Demonstration (No-Year)	1985	1,750						18		
Intermodal Urban (Multi-Year)	1985	2,750				45	106	240	609	(238)

Federal Highway Admin. (cont.)		Budget Authority	Outlays							
			1982	1983	1984	1985	1986	1987	1988	1989
Intermodal Urban	1987	10,000								
(Annual)										4,560
Roosevelt Bridge	1987	1,500								
(No-Year)									105	25
Airport Access Hwy	1987	2,500								
(No-Year)										
Airport-Highway	1987	1,887								
Demonstration Project								86	1,605	196
(No-Year)										
Vehicular and	1987	5,000								
Pedestrian Safety	1988	6,650								
(No-Year)										
Nuclear Waste	1987	2,000								
Transportation Safety	---									133
(No-Year)	1989	3,600								
Highway RR Grade Cx	1987	4,000								
(No-Year)	1988	9,500								
	1989	8,100								
Airport Access (No-Year)	1987	4,000								
	---								2,850	
	1989	1,300								
Highway Bridge	1988	2,470								
Relocation (No-Year)										
Highway Bypass	1988	1,900								
(No-Year)									91	445
Traffic Improvement	1988	475								
(No-Year)									3	24

Federal Highway Admin. (cont.)		Budget Authority	Outlays 1982	1983	1984	1985	1986	1987	1988	1989
Intermodal Urban (No-Year)	1988 1989	9,500 8,550	----	----	----	----	----	----	----	----
Bridge Improvement (No-Year)	1988 1989	4,750 8,550								
Corridor Safety Improvement (No-Year)	1988 1989	4,702 28,000								
Bridge Capacity Improvement (No-Year)	1988 1989	237 3,763								
Highway Widening and Improvement (No-Year)	1988 1989	2,375 4,100								
Intersection Safety (No-Year)	1989	900								
Highway Capacity Improvement (No-Year)	1989	900								13
Climbing Lane Safety (No-Year)	1989	450								42
Indiana Industrial Corridor Safety (No-Year)	1989	1,000								
Corridor H Improvement (No-Year)	1989	16,000								3,699
Road Extension (No-Year)	1989	600								
Oklahoma Highway Widening (No-Year)	1989	400								

Federal Highway Admin. (cont.)		Budget Authority	Outlays 1982	1983	1984	1985	1986	1987	1988	1989
Alabama Highway Bypass (No-Year)	1989	3,600								112
Kentucky Bridge (No-Year)	1989	3,600								10
Virginia HOV Safety (No-Year)	1989	500								63
Urban Highway Corridor (No-Year)	1989	225								
Urban Airport Access Safety (No-Year)	1989	225								6
Bridge Restoration (No-Year)	1989	2,[illegible]0								
Reservation Road (No-Year)	1989	3,500								
Expressway Safety Improvement (No-Year)	1989	2,600								149
Alabama Feasibility Study (No-Year)	1989	675								
International Zaragosa Bridge (No-Year)	1989	3,000								
PRORATED:										
Territorial Highways (No-Year)	1982	3,000	600	629	842	271	394	203	61	
	1983	3,000		600	629	203	294	151	293	830
Highway Beautification (No-Year)	1982	500	100	176	108	116				
	1983	500		100	176	108	116			

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			Outlays							
Federal Highway Admin. (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
Interstate Trans. Grants	1982	400,500	16,345	150,860	61,556	144,585	27,155			
(No-Year)	1983	518,000		21,140	195,119	79,615	71,954	37,096	25,186	17,853
Motor Carrier Safety	1982	3,300	547	1,911	389	151	189	113		
(No-Year)	1983	520		86	301	61	24	48		
	1984	600			99	347	71	82		
	1985	1,162				193	673	296		
	1986	912					151	761		
	1987	1,600						343	265	112
	1988	1,920							732	134
	1989	1,920								732
Highway Safety R & D	1982	6,360	1,272	1,518	1,737	1,070	763			
(No-Year)	1983	8,000		1,200	2,515	2,365	897	781	242	
	1984	8,500			1,445	2,975	1,982	1,726	372	
	1985	8,500				1,700	2,494	2,172	629	1,505
	1986	8,134					1,627	1,417	2,657	2,433
	1987	7,000						1,400	2,025	2,739
	1988	6,650							1,330	2,602
	1989	6,080								1,216
Highway Related Safety Grants	1982	10,000	2,000	2,598	1,949	1,200	2,058	195		
(No-Year)	1983	9,869		1,603	2,564	1,923	1,865	1,630	284	
	1984	9,802			1,592	2,547	1,910	1,527	1,767	459
	1985	10,000				1,624	2,598	1,515	1,797	1,973
	1986	9,570					1,554	1,936	1,788	1,889
	1987	10,000						2,000	1,588	1,973
	1988	10,000							2,000	1,973
	1989	10,000								2,000
Federal-Aid Hwys	1982	8,303,500	1,394,988	4,351,034	1,161,010	373,638	240,802	197,396	584,633	
(No-Year)	1983	12,679,299		2,130,122	6,111,639	1,901,794	578,176	336,199	1,621,368	
	1984	13,785,387			2,130,392	7,128,120	2,095,379	574,760	1,821,641	35,096
	1985	14,908.042				2,471,466	7,811,814	2,071,892	1,412,370	1,140,500
	1986	14,610,321					2,454,534	6,999,935	1,412,370	3,411,349
	1987	13,479,038						2,070,481	4,167,385	3,147,207
	1988	13,706,319							2,453,430	3,200,275
	1989	14,119,012								2,371,994

			Outlays							
Federal Highway Admin. (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
RR-Hwy Crossing Demo (No-Year)	1982	17,335	2,150	4,519	5,432	2,417	915	366	593	943

	1984	15,000			3,273	3,910	4,700	366	1,100	1,356
	1985	29,640				6,467	7,727	3,762	2,222	2,679
	1986	15,312					3,341	6,186		1,384
	1987	11,750						2,675	783	1,062
	1988	7,790							1,558	704
	1989	7,560								1,512
Highway Widening Demo (No-Year)	1983	33,000		58	4,420	6,801	9,512	6,539	3,093	936

	1989	1,800								51
Waste Isolation Pilot Project (No-Year)	1984	5,800			32	145	5,623			
	1985	16,400				90	8,623	3,108	2,260	2,319
	1986	6,699					1,340	2,144	933	2,283
	1987	10,000						2,000	3,480	4,520
	1988	15,504							3,101	7,241
Expressway Gap Closing (No-Year)	1986	8,613								4,465

	1988	7,648								3,965
Baltimore-Washington Parkway (No-Year)	1986	2,871							634	275
	1987	8,000						202	1,100	766
	1988	14,250							2,850	1,365
	1989	12,825								2,565
Access Highways to Public Recreation Areas on Certain Lakes (No-Year)	1986	4,785					957	957	957	1,914
	1987	5,000						1,000	1,000	2,130
	1988	1,786							357	738
	1989	1,291								258
Highway Safety and Economic Development (No-Year)	1987	15,000						105	2,898	2,123
	1988	9,500							1,900	1,345
	1989	8,550								1,710
Highway Safety Improvement (No-Year)	1987	6,800						206	831	200
	1988	1,900							380	56
	1989	1,260								252

			Outlays							
Federal Highway Admin. (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
Motor Carrier Safety Grants (No-Year)	1987	50,000						15,402	29,408	5,190
	1988	50,000							15,000	30,370
	1989	60,000								18,000
National Highway Traffic Safety Admin.										
Operations & Research (Annual)	1982	30,331	23,840	4,060	1,145					
	1983	33,770		28,532	2,094	1,125				
	1984	32,074			29,879	1,093	273			
	1985	48,222				29,465	4,241	2,173	15	(2,332)
	1986	47,555					28,041	2,455	21,999	(21,542)
	1987	55,767						36,551	25,685	(27,317)
	1988	33,203							46,600	(15,608)
	1989	36,899								33,044
PRORATED:										
Operations & Research (No-Year)	1982	44,569	28,212	10,446	2,986	2,925				
	1983	40,226		20,709	8,215	2,695	8,606			
	1984	46,226			27,156	10,896	5,614	2,559		
	1985	57,959				32,677	8,285	16,997		
	1986	36,296					22,975	10,433	2,888	
	1987	41,484						26,259	15,225	
	1988	59,677							(25,557)	76,147
	1989	61,751								39,088
State and Community Highway Safety (No-Year)	1982	136	35	15	34	52				
Highway Traffic Safety Grants (No-Year)	1982	102,363	55,271	11,265	25,591	10,236				
	1983	141,233		86,020	31,432	9,657	14,123			
	1984	148,100			59,240	37,025	37,025	7,405	2,745	4,660
	1985	176,500				63,219	51,506	35,300	9,812	16,663
	1986	126,324					33,150	42,645	18,729	19,117
	1987	121,000						29,423	33,943	18,311
	1988	220,085							53,023	33,306
	1989	126,000								50,400

			Outlays							
Federal Railroad Administration		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
Office of the Administrator (Annual)	1982	7,222	5,670	990	562					
	1983	13,225		9,947	3,128	150				
	1984	11,680			10,092	1,021	567			
	1985	10,700				8,751	1,365	102		
	1986	9,685					8,548	781	9	
	1987	12,275						10,659	1,257	52
	1988	7,853							7,847	(56)
	1989	18,077								16,670
Railroad Safety (Annual)	1982	20,676	18,696	1,241	132					
	1983	23,200		19,835	1,840	7				
	1984	28,900			23,101	4,210	810			
	1985	26,061				22,068	3,317	132		
	1986	25,135					22,946	1,882		
	1987	25,815						23,035	1,874	444
	1988	25,878							23,813	1,894
	1989	26,685								23,600
Rail Labor Assistance (No-Year)	1982	25,000	25,000							
	1983	9,000		9,000						
Commuter Rail Service (No-Year)	1982	70,000	24,732	45,268						
	1983	90,000		89,908			92			
Rail Service Assistance (Annual)	1982	12,182	6,182	4,355	43					
Settlements of Railroad Litigation (No-Year)	1982	821,314	821,314							
	1983	86,505		86,505						
	1984	42,879			42,879					
	1985	493				493				
	1986	95,879					95,879			
	1987	6,543						6,543		
	1988	2,658							2,658	
	1989	213								
Conrail Labor Prot. (Annual)	1984	35,000			35,000					

		Budget				Outlays				
Federal Railroad Admin. (cont.)		Authority	1982	1983	1984	1985	1986	1987	1988	1989
Regional Rail Reorg.	1987	15,033						15,033		
(No-Year)	1988	6,107							6,107	
Freight Line Rehab.	1989	6,000								4,410
(No-Year)										
PRORATED:										
Railroad Safety	1982	3.500	2,856	401	242					
(No-Year)	1983	4,800		2,440	2,338	21				

	1986	1,435					1,214	221		
	1987	1,350						1,142	208	
	1988	2,090							1,777	313
	1989	1,140								1,140
Railroad Research	1982	30,000	16,294	4,616	2,683	2,869	1,765	1,773		
and Development	1983	17,000		6,192	3,263	2,617	2,726	568	642	317
(No-Year)	1984	16,225			4,345	3,866	2,486	1,439	969	303
	1985	15,355				4,179	3,673	1,774	1,045	286
	1986	10,144					3,972	1,264	733	189
	1987	9,581						1,754	1,570	179
	1988	9,286							5,572	173
	1989	9,286								5,572
Rail Service Assistance	1982	9,014	1,437	2,568	3,631	407	248	723		
(No-Year)	1983	32,308		4,170	12,472	4,645	2,831	2,697	2,778	173
	1984	85,973			23,681	18,376	11,200	7,511	13,018	459
	1985	31,420				9,270	5,648	3,493	3,477	168
	1986	19,331					4,910	2,409	2,213	103
Northeast Corridor	1982	170,000	6,616	30,815	64,888	42,884	11,283	13,514		
(No-Year)	1983	115,000		4,297	22,154	41,533	21,392	25,624		
	1984	100,000			3,950	18,407	35,327	40,291	2,025	
	1985	27,600				1,049	12,080	3,431	11,040	
	1986	11,962					718	2,034	9,211	
	1987	16,962						1,018	15,944	
	1988	26,600							17,115	9,485
	1989	19,600								11,760

			Outlays							
Federal Railroad Admin. (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
Grants to Nat'l Railroad	1982	735,000	647,593	66,330	19,188	1,646	243			
Passenger Corp.	1983	780,000		591,917	171,231	14,684	2,168			
(No-Year)	1984	1,938,233			1,764,573	151,314	22,346			
	1985	684,000				595,987	81,173	6,840		
	1986	562,237					528,503	28,112	5,622	
	1987	594,791						559,104	35,687	
	1988	580,800							549,750	29,439
	1989	584,000								546,960
Alaska Railroad	1982	6,160	1,245	3,493	1,422					
Revolving Fund	1983	7,600		5,401	2,199					
(No-Year)										
Office of the	1987	11,100						2,640	2,503	3,420
Administrator	1988	15,024							3,435	4,629
(No-Year)	1989	2,775								638
Conrail Commuter	1987	5,000							519	945
Transition (No-Year)	---									
	1989	4,500								851
Urban Mass Transportation Administration										
Administrative Expenses	1982	24,388	22,515	1,628	52					
(Annual)	1983	28,407		24,637	1,915	1,070				
	1984	29,200			30,541	(1,255)	(291)			
	1985	31,000				27,047	3,771	(575)		
	1986	28,710					26,457	1,375	(430)	
	1987	31,000						28,194	2,266	(19)
	1988	31,882							27,998	3,781
	1989	31,882								29,729
Discretionary Grants	1982	1,449,500	13,742	388,442	386,788	235,091	128,317	82,356		
(Annual/Multi-Year)	1983	1,606,000		14,769	412,602	404,866	258,510	191,866	143,935	
Interstate Transfer	1986	191,400						10,541	8,154	17,244
Grants (Multi-Year)										

			Outlays							
Urban Mass Transportation Administration (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
PRORATED:										
Research, Training, and Human Resources (No-Year)	1982	51,600	15,993	10,931	10,274	6,044	1,546	1,706	891	3,596
	1983	58,250		14,236	13,971	10,164	3,678	3,928	2,142	4,059
	1984	54,800			12,982	10,651	5,766	5,922	3,400	3,819
	1985	51,000				9,632	7,653	6,463	4,756	3,554
	1986	16,652					3,069	1,811	1,764	1,160
	1987	17,400						733	1,694	1,212
	1988	12,217							3,665	851
	1989	10,000								697
Urban Mass Transportation Administration (No-Year)	1982	1,200,000	1,080,000	120,000						
	1983	681,135		613,022		68,113				
Non-Urban Formula Grants (No-Year)	1982	68,500	8,567	9,534	15,885	19,007	15,507			
	1983	68,500		9,534	15,886	19,007	16,855	1,897	329	234
Urban Formula Grants (No-Year)	1982	1,365,250	686,064	92,790	180,653	298,706	44,956	23,829	22,723	15,529
	1983	1,200,000		669,880	75,650	99,290	149,066	83,703	72,713	49,698
Interstate Transfer Grants (No-Year)	1982	560,000	37,301	64,114	185,613	118,028	65,573	56,404	6,442	26,525
	1983	412,000		21,223	101,490	106,381	77,406	53,774	10,107	40,382
	1984	295,000			31,321	63,672	84,812	32,820	16,096	28,914
	1985	250,000				27,496	94,176	22,219	20,733	24,504
	1987	200,000						7,708	52,292	19,603
	1988	123,500							18,525	12,105
	1989	200,000								19,603
Discretionary Grants (No-Year)	1982	15,000				5,595	3,903	299	274	4,411
	1983	83,650				23,426	25,847	2,890	1,528	24,599
Washington Metro (No-Year)	1983	240,000			52,561	35,376	15,206	18,405	52,118	35,715
	1984	250,000			10,950	19,944	21,911	46,744	46,569	37,203
	1985	250,000				4,836	24,516	52,624	31,828	37,203
	1986	217,239					22,000	25,498	21,109	32,328
	1987	201,120						6,995	24,581	29,929
	1988	180,500							9,025	26,860
	1989	168,000								8,400

			Outlays							
Urban Mass Transportation Administration (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
Mass Transportation Capital Fund (No-Year)	1983	779,000		3,131	174,407	212,890	91,314	297,258		
	1984	980,500			58,789	241,291	159,898	119,712	137,981	138,196
	1985	622,500				52,817	133,876	105,882	64,424	87,738
	1986	1,052,700					247,475	78,862	122,565	148,373
	1987	1,097,000						65,820	269,636	154,616
	1988	1,203,200							101,069	169,585
	1989	1,250,000								150,000
Formula Grants (No-Year)	1984	2,388,592			607,600	396,935	332,174	388,038	145,622	318,717
	1985	2,449,500				537,005	458,998	375,717	268,303	326,844
	1986	2,057,550					493,151	371,020	289,763	274,545
	1987	2,000,000						500,000	391,191	266,866
	1988	1,736,453							675,480	231,700
	1989	1,605,000								624,345
Federal Aviation Administration										
Operations (Annual/Multi-Year)	1982	2,271,994	1,997,908	229,804	26,114	325				
	19[illegible]	2,522,483		2,188,714	268,522	21,254				
	1984	2,593,100			2,325,690	227,934	16,625			
	1985	2,697,414				2,455,196	188,584	8,954		
	1986	2,664,270					2,283,283	194,284	13,112	
	1987	2,878,017						2,582,268	290,406	5,343
	1988	3,148,589							2,786,388	333,730
	1989	3,408,557								2,998,129
Facilities and Equipment (Multi-Year)	1982	260,847	22,458	39,541	34,292	64,861	58,254	10,895	19,969	
	1983	625,000		30,652	101,263	111,339	150,924	98,033	8,238	37,078
	1984	750,000			22,488	75,303	138,508	149,409	159,312	111,524
	1985	1,358,000				90,968	270,663	297,843	237,755	161,593
	1986	895,081					98,382	126,977	109,156	163,165
	1987	804,584						192,761	229,899	173,014
	1988	1,108,056							206,134	277,530
	1989	1,384,184								149,121

			Outlays							
Federal Aviation Admin. (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
Headquarters Admin. (Annual)	1983	55,974		47,531	8,007					
	1984	56,900			42,170	12,465	1,398			
	1985	61,877				45,580	12,425	1,015		
	1986	60,343					45,463	11,670	1,117	
	1987	35,121						27,402	6,352	176
	1988	35,520							29,685	3,928
	1989	36,492								28,157
PRORATED:										
Operations (No-Year)	1982	19,945	1	9,848	(3,400)	8,895	2,853	1,748		

	1985	2,000				1,193	502	305		

	1987	46,000						29,664	14,384	442
Facilities, Engineering, and Development (No-Year)	1982	8,797	1,020	2,244	1,738	619	143	101	49	53
	1983	18,255		1,937	3,518	1,623	501	355	173	110
Grants-in-Aid for Airports (No-Year)	1982	476,218	31,931	143,353	103,289	92,819	30,399	33,934	21,518	18,975
	1983	800,000		54,088	207,637	252,974	82,737	77,120	66,660	58,784
	1984	993,500			237,418	216,760	156,403	162,792	116,974	103,154
	1985	987,000				76,080	264,166	299,874	79,432	152,434
	1986	973,269					281,568	200,635	54,073	150,313
	1987	869,200						89,307	137,297	134,241
	1988	1,688,000							335,912	260,698
	1989	1,600,100								256,016
Research, Engineering and Development (No-Year)	1982	71,800	35,156	22,077	10,228	3,628	519	192		
	1983	103,000		40,673	36,528	21,569	3,087	1,143		
	1984	263,452			94,478	119,239	36,306	13,429		
	1985	265,000				116,754	108,219	40,027		
	1986	164,830					120,340	40,431	4,059	
	1987	141,700						75,101	63,373	3,226
	1988	153,425							99,726	28,369
	1989	159,945								95,967

			Outlays							
Federal Aviation Admin. (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
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Aircraft Purchase Loan Guarantee Program (No-Year)	1983	102,490		79,000	23,004	486				
	1984	8,720			8,539	175	6			
	1985	13,321				13,209	112			
	1986	3,560					3,560			
	1987	470						470		
	1988	9,693							9,693	
	1989	2,151								1,204
Research, Engineering And Development (Multi-Year)	1986	72,220					23,999	45,515	2,525	
U. S. Coast Guard										
Acquisition, Construction, and Improvements (Multi-Year)	1982	684,000	37,308	175,830	177,005	145,151	109,701	22,995	5,326	
	1983	400,000		61,801	104,891	78,069	42,820	57,902	53,023	1,494
	1984	669,000			79,889	136,546	186,376	158,279	37,339	30,035
	1985	374,200				66,248	61,452	60,047	123,462	31,079
	1986	218,806					38,814	47,563	59,457	46,392
	1987	298,000						40,293	82,396	106,744
	1988	247,000							49,393	47,374
	1989	285,500								59,659
Retired Pay (Annual)	1982	265,000	258,051	2,484	(36)					
	1983	309,350		289,577	8,037	89				
	1984	315,200			302,724	7,100				
	1985	330,800				291,539	36,958	116		
	1986	339,489					299,511	36,724	27	
	1987	356,000						312,968	32,877	(23)
	1988	386,700							326,466	38,255
	1989	410,800								347,991
Headquarters Admin. (Annual)	1983	75,090		75,090						
Coast Guard Shore Facilities (Multi-Year)	1989	50,300								2,922

U. S. Coast Guard (cont.)		Budget Authority	Outlays							
			1982	1983	1984	1985	1986	1987	1988	1989
Acquisition, Construction, and Improvements (Multi-Year)	1989	100,000								1,056
PRORATED:										
Offshore Oil Pollution (No-Year)	1982	2,000	325	406	30	103	67	28	28	29
	1983	1,000		242	18	62	78	16	16	14
	1985	1,000				84	54	23	22	14
	1986	957					55	24	23	14
	1987	1,000						26	26	14
Deepwater Port Liability Fund (No-Year)	1982	2,000	27	(9)						
	1983	1,000		(4)						
	1984	1,000								
	1985	1,000				1				
	1986	957							1	
	1987	1,000							1	
C. G. General Gift Fund (No-Year)	1982	10	5			1	4			
	1983	49		(3)	1	8	4			(7)
	1984	18				3	1			(3)
	1985	22				4	2			(4)
	1986	16					2			(3)

	1988	14								(2)
Operating Expenses (No-Year)	1982	1,482,456	1,226,566	243,659	11,645	546	40			
	1983	1,528,708		1,237,566	277,458	12,997	687			
	1984	1,690,542			1,368,131	300,131	18,002	4,270		
	1985	1,753,572				1,387,910	295,084	70,570		
	1986	1,617,939					1,305,010	260,034	52,895	
	1987	1,802,275						1,342,394	195,182	116,036
	1988	1,782,506							1,515,130	114,764
	1989	1,952,383								1,650,526

U. S. Coast Guard (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
CG Supply Fund (No-Year)	1982	1,320		884			436			
Alteration of Bridges (No-Year)	1982	11,000	1,147	2,980	4,126	601	204	18	388	1,536
	1983	12,700		737	7,182	1,047	355	33	300	3,046
	1984	8,600			991	1,665	565	64	1,351	3,245
	1985	13,600				572	1,238	116	3,091	5,132
	1986	4,976					482	37	934	1,878

	1988	940							216	355
	1989	13,500								3,105
Reserve Training (No-Year)	1982	51,483	44,615	6,530	320	18				
	1983	54,000		46,109	7,463	397	31			
	1984	55,355			47,016	7,741	509	89		
	1985	59,223				49,372	8,593	1,258		
	1986	58,857					49,933	8,095	829	
	1987	64,400						55,040	6,511	2,849
	1988	62,880							54,706	5,277
	1989	67,000								58,290
Research, Development, Test and Evaluation (No-Year)	1982	18,000	10,201	7,799						
	1983	20,000		10,540	8,792	505	78	85		
	1984	22,500			11,019	8,690	1,342	1,449		
	1985	23,000				9,174	6,650	4,367	1,746	1,063
	1986	17,847					8,597	5,367	2,414	1,469
	1987	20,000						6,539	4,264	4,698
	1988	19,000							6,460	4,464
	1989	18,800								6,392
Boat Safety (No-Year)	1983	12,500		5,095	5,483	1,922				
	1984	12,500			5,247	7,253				
	1985	28,625				17,705	6,967	3,953		
	1986	48,077					30,685	10,070	7,322	
	1987	48,000						27,792	13,971	6,237
	1988	41,891							27,648	14,243
	1989	59,000								37,432

			Outlays							
St. Lawrence Seaway Development Corp		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
St. Lawrence Seaway Dev. Corp. (No-Year)	1987	2,000						1,650	157	
Operations and Maintentance (Annual)	1987	4,000						4,000		
	1988	10,806							9,335	1,471
	1989	11,097								8,985
Office of the Inspector General										
Salaries and Expenses (Annual)	1982	13,523	10,663	1,342	248					
	1983	25,355		9,551	723	127				
	1984	26,795			9,173	2,831	(165)			
	1985	27,900				11,120	1,380	51		
	1986	26,413					11,029	1,614	40	
	1987	27,200						24,265	2,296	15
	1988	27,898							25,892	1,236
	1989	29,000								26,558
Research and Special Programs Admin.										
Research and Special Programs (Annual)	1982	12,598	10,663	1,342	248					
	1983	10,472		9,551	723	127				
	1984	12,000			9,173	2,831	(165)			
	1985	12,875				11,120	1,380	195		
	1986	12,099					11,029	881		
	1987	13,400						12,004	1,188	
	1988	10,893							10,763	(200)
	1989	13,150								11,511
Pipeline Safety (Annual)	1988	3,658							1,675	1,932
	1989	4,175								3,477
PRORATED:										
Pipeline Safety (No-Year)	1988	4,892							1,670	
	1989	5,125								4,852

Research and Special Programs Admin. (cont.)		Budget Authority	Outlays 1982	1983	1984	1985	1986	1987	1988	1989
Research and Special Programs (No-Year)	1982	4,843	3,271	987	375	148	48	14		
	1983	9,550		5,587	2,658	930	255	120		
	1984	8,200			5,012	2,333	579	194	82	
	1985	6,975				4,675	1,630	391	279	
	1986	6,371					4,200	1,534	637	
	1987	6,550						3,930	2,146	474
	1988	1,939							1,280	382
	1989	1,650								1,089
Office of the Secretary										
Salaries and Expenses (Annual)	1982	35,262	35,653	(2,929)	(53)					
	1983	37,180		37,763	(5,307)	(2,667)				
	1984	37,275			37,791	(4,405)	1,352			
	1985	48,938				50,385	763	(2,536)		
	1986	46,223					48,792	(3,145)	26	
	1987	48,000						45,876	2,124	(124)
	1988	35,992							35,790	(1,163)
	1989	51,542								48,907
Working Capital Fund (No-Year)	1988	1,805							1,805	
	1989	3,200								3,200
PRORATED:										
Salaries And Expenses (No-Year)	1983	3,220		2,846	374					
	1984	4,000			3,536	464				
	1985	4,000				3,536	464			
	1986	2,871					2,871			
	1987	3,000						2,445	555	

	1989	3,000								964

Office of the Secretary (cont.)		Budget Authority	1982	1983	1984	1985	1986	1987	1988	1989
			Outlays							
Transportation, Planning,	1982	3,350	1,843	771	737					
Research, & Development	1983	4,900		2,242	1,580	1,078				
(No-Year)	1984	4,878			2,678	1,127	1,073			
	1985	5,635				2,507	2,267	861		
	1986	3,349					1,842	770	737	
	1987	3,349						1,842	1,507	
	1988	4,987							2,993	1,963
	1989	5,600								2,240
Payments to Air Carriers	1985	41,419				33,687	5,428	1,970	334	
(No-Year)	1986	26,796					18,803	3,438	4,555	
	1987	30,000						21,000	2,352	1,081
	1988	23,750							19,000	856
	1989	31,600								25,280
Gifts and Bequests	1985	26						26		
(No-Year)	1986	4,196						3,787	383	
	1987	91						91		

NOTE: Amounts in parentheses are negative.

PURCHASE OF NON-DOMESTIC GOODS

Mr. LEHMAN. Several years ago, an amendment was offered to the transportation appropriations bill which read as follows: "None of the funds made available in this Act may be used to purchase any non-domestic goods or services".

Please provide for the record a detailed analysis of the cost and program implications of such a requirement for each DOT operating administration?

[The information follows:]

A statutory requirement that none of the funds made available in the FY 1991 Transportation Appropriations Bill could be used to purchase any non-domestic goods or services would severely hamper the U.S. Department of Transportation (DOT) in carrying out its mission.

In general, such a requirement would preclude DOT from participating in international programs whose purpose is the exchange of technology and information, and it would prevent DOT from taking advantage of the many benefits of increased foreign competition - including lower costs and product innovation - on items that DOT procures. These benefits are received directly when DOT procures items for which there are both domestic and foreign sources of supply. These harmful effects would accumulate over time. DOT could fall behind state-of-the-art techniques for accomplishing its mission. This would damage our ability to enhance transportation safety.

On major grant program administered by UMTA and FHWA, "Buy America" provisions were imposed by the Surface Transportation Assistance Act of 1982 (as amended). These provisions have increased costs for these programs. Imposition of the requirement that no DOT funds could be used to purchase any non-domestic goods or services would further increase the ability of foreign producers with U.S. subsidiaries to purchase the least expensive parts world-wide.

Finally, imposition of such a requirement could invite retaliation by other countries. In addition to reducing the competitiveness of the world trading system, such retaliation could at the same time deny overseas market opportunities to U.S. firms.

A breakout by operating administration of the major consequences of imposing such a requirement follows. The costs of imposing such a requirement cannot be estimated accurately.

FEDERAL AVIATION ADMINISTRATION (FAA)

The FAA's National Airspace System (NAS) plan, the largest domestic civilian procurement since NASA's Apollo project, could be jeopardized since some components are produced only by foreign producers.

The FAA would be cut off from procurement of highly developed technology from foreign producers (e.g., the British have been technological leaders in some low visibility approach systems).

The requirement would severely curb FAA participation in the International Civil Aviation Organization (ICAO), the international standards-setting organization in aviation.

URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA)

Such a requirement would lessen international competition in the bus and subway car assembly and manufacturing industry and thus result in higher costs to purchasers.

FEDERAL HIGHWAY ADMINISTRATION (FHWA)

Such a requirement could be especially troubling for highway projects in the border states and the Northeast, which use foreign cement suppliers. Large increases in the price of cement in these areas could be expected.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA)

NHTSA efforts to harmonize standards among nations on the production of automobiles would cease if this requirement were imposed. The harmonization efforts benefit U.S. domestic auto manufactures as well as the automobile safety of the driving public.

NHTSA's international research efforts on automobile safety would cease under the requirement. Some research techniques employed overseas, such as foreign vehicles. Depending upon how stringently the requirement is interpreted, such compliance tests could be jeopardized.

NHTSA conducts an international drug impairment testing research program. A unique simulator is used in Germany as part of this program. In addition, NHTSA legally tests in foreign countries certain drugs whose testing is illegal in the United States. Such a requirement would severely compromise the NHTSA drug impairment testing research program.

FEDERAL RAILROAD ADMINISTRATION (FRA)

FRA membership in international information exchange programs such as the International Union of Railroads would cease under the requirement.

FRA participates in bilateral technology sharing programs with several countries to deal with such issues as the safety of high and super high speed passenger systems. Under the requirement, these programs would cease as would their benefits.

Amtrak would suffer a severe impact if it were denied the kind of relief it presently has under Section 305(k) of the Rail Passenger Service Act. Though Amtrak has not had trouble complying with the basic requirement for domestic purchase in the case of large equipment buys, it has been granted relief on the purchase of small components and specialized equipment where it has not been economical for a U.S. supplier to set up shop. A recent example is Amtrak's purchase in 1988 of electric locomotives in a small order of seven, where it was necessary for the locomotive frame to be made in Sweden because the welding process used on the original locomotive fleet was not available in the U.S.

U.S. COAST GUARD

Appropriation language restricting foreign procurements would have serious, worldwide impact on USCG operations.

Operation and maintenance of the electronic LORAN C navigation system - 10 stations and 2 section maintenance staffs - are located in foreign countries and receive much of their support from the local economy. Eliminating the local support would result in closing these stations, which would directly affect worldwide defense readiness.

Two USCG aircraft types - HU-25A Falcon jets (41 in inventory) and HH-65A "Dolphin" helicopters 96 in inventory - are of French manufacture. Component repairs and spare parts must be purchased in France. Closing this foreign source of supply would result in the grounding of these 137 aircraft. This would have a devastating impact on USCG law enforcement and search and rescue programs.

To support its world-wide operations, the USCG must often purchase fuel, food, supplies, spares, and voyage repairs in foreign countries. This applies especially to the operations of USCG cutters engaged in law enforcement operations in the Caribbean Basin and icebreaking operations were imposed.

USCG law enforcement responsibilities require USCG crews to board other vessels at sea. USCG cutters carry rapid hull inflatable boats to transfer supply for these boats. The USCG purchases them (and their accessory equipment) from manufacturers in Canada and Great Britain. The proposed restrictions would render the USCG unable to support the approximately 330 rigid hull inflatable boats currently in inventory and prevent future purchases of these boats. As a result, the USCG would be unable to carry out its law enforcement mission responsibilities in an effective manner.

OFFICE OF THE SECRETARY (OST)

OST participate in international forums on both bilateral and multilateral bases. Under the requirement that no DOT monies be spent on non-domestic goods or services, individuals could not travel to foreign countries to participate in the forums.

OST's role in negotiating and administering the more than 90 formal bilateral aviation agreements and a number of maritime agreements between the United States and foreign countries would be compromised by such a requirement.

OST participation in the development of Administration trade policy requires attendance at meetings of international trade organizations - usually as part of a U.S. international delegation led by the U.S. Trade Representative. OST would therefore be unable to carry out its role in trade policy development.

ADVISORY AND ASSISTANCE SERVICES OBLIGATIONS

Mr. LEHMAN. Section 347 of our fiscal year 1990 Transportation Appropriations Act limits funding for the procurement of advisory or assistance services. Would you provide, by appropriation, the amount obligated for these services in fiscal year 1989 and the estimates for fiscal years 1990 and 1991?

[The information follows:]

DEPARTMENT OF TRANSPORTATION CONSULTING SERVICES

[Dollar amounts in thousands]

Administration	Obligations: Fiscal year—		
	1989	1990	1991
FRA	671	1,876	1,817
Office of Administrator	276	1,221	1,067
Railroad Safety	395	655	750
FAA: Operations	6,242	10,809	10,990
USCG	549	996	2,200
Operating expenses	285	613	1,700
Acquisition, construction and improvements	264	383	500
SLSDC: Operations and maintenance	74	125	130
OIG: Salaries and expenses	1	44	25
RSPA	75	66	75
Research and special programs	55	46	55
Pipeline safety	20	20	20
OST	263	717	849
Salaries and expenses	0	64	73
Office of Commercial Space Trans. Operations and Research	0	0	776
Transportation planning, research, and development	263	653	0
Total—DOT	7,875	14,633	16,086

Note.—The statutory limitation of $14 million in fiscal year 1990 only applies to budget authority. The fiscal year 1990 obligation estimate of $14,633,000 reflects the use of carryover by FRA.

RENTAL PAYMENTS TO GSA

Mr. LEHMAN. Please also provide a breakdown by appropriation of the funds requested for rental payments to GSA and the amounts provided in fiscal years 1989 and 1990.

[The information follows:]

DEPARTMENT OF TRANSPORTATION; GSA RENTAL PAYMENTS—EXCLUDES REIMBURSEMENTS

[In thousands of dollars]

Mode/account	Fiscal year—		
	1989 actual	1990 estimate	1991 estimate
FHWA:			
Limitation on general operation expenses	11,501	13,739	14,234
Motor carrier safety	2	288	295
Subtotal, FHWA	11,503	14,027	14,529

DEPARTMENT OF TRANSPORTATION; GSA RENTAL PAYMENTS—EXCLUDES REIMBURSEMENTS—Continued

[In thousands of dollars]

Mode/account	Fiscal year—		
	1989 actual	1990 estimate	1991 estimate
NHTSA:			
Operations and research (GF)	2,268	2,759	2,870
Operations and research (TF)	1,046	1,194	1,234
Highway traffic safety grant (transfer to O&R)	175	175	175
Subtotal, NHTSA	3,489	4,128	4,279
FRA:			
Office of the Administrator	1,181	1,415	1,415
Railroad safety [1]	1,176	1,278	1,440
Railroad research and development [1]	76	82	87
Subtotal, FRA	2,433	2,775	2,942
UMTA: Administrative expenses	2,447	2,986	3,062
FAA: Operations [1]*	29,939	38,011	45,406
USCG:			
Operting expenses	23,019	28,746	31,353
Reserve training	630	650	680
Research, development, test, and evaluation	444	460	518
Subtotal, USCG	24,093	29,856	32,551
SLSDC: Operations and maintenance [1]*	132	157	163
OIG: Salaries and expenses	1,675	2,000	2,112
RSOA:			
Research and special programs	799	1,079	1,214
Pipeline safety	296	419	433
Subtotal, RSPA	1,095	1,498	1,647
OST:			
Salaries and expenses	5,172	6,065	6,352
Working capital fund	5,157	6,093	6,337
Commission on Aviation Security and Terrorism	....	72	....
Subtotal, OST	10,329	12,230	12,689
Total, DOT (excluding MARAD)	87,135	107,668	119,380

[1] Correct amounts as shown in President's budget.

MID-AMERICAN AVIATION RESOURCE CONSORTIUM

Mr. SABO. The 1990 Transportation Appropriations Bill had a funding level of $6.4 million for the Mid-American Aviation Resource Consortium (MARC). The FAA and the State of Minnesota have agreed on $3.4 million in funding for the new air traffic control school in Minnesota.

However, the 1990 Committee report also directed the FAA to release $3.0 million to the University of North Dakota's Airway Science Program in support of MARC. As of today, this portion of the program has not been funded. If there is a problem with the funding mechanism for the Airway Science Program, can you tell me what is being done to correct the problem? When can the program expect to receive its funding, or is it now the Department's policy not to follow report language?

[The information follows:]

The FY 1990 Transportation Appropriations Act (Public Law 101-164) includes $6.4 million for the Mid-American Aviation Resource Consortium (MARC). The Act states that $3.4 million, earmarked in Operations appropriation language, is made available to enter into a contractual agreement with MARC to operate an air traffic controller training program. MARC and FAA are in the final stages of negotiating a cooperative agreement.

The Conference Report includes $3 million for MARC under Facilities and Equipment, but with no language in the Act. The House Report stated the purpose of these funds, i.e., equipment for the center for aerospace science at the University of North Dakota (UND). Discussions with UND indicate that the funds are to complete the acquisition of telecommunications equipment to be placed in a facility constructed with Federal grant funds under the Airway Science Grant Program.

While the Act did include language giving the FAA the legal authority to enter into a contractual agreement with MARC for $3.4 million, it did not include language giving the FAA the legal authority to disburse the remaining $3 million funds for training through either a contract or a grant with MARC or directly with the UND. The Act deleted language included in previous years under Facilities and Equipment giving the Secretary of Transportation (FAA) the authority to enter into grant agreements with institutions with airway science curriculum programs recognized by the FAA. This language was the only legal authority under which FAA could disburse the funds to UND. General Provision 319 does not provide sufficient authority for expenditure because it does not apply to training.

The FAA continues to support UND's Airway Science Program. There has been a series of meetings with North Dakota and Minneota officials to resolve legal impediments that resulted from a change in the language. The FAA will continue to work with these officials and Members of Congress to resolve the problem. It is not the Department's policy to ignore report language.

RAPID SCAN RADAR TECHNOLOGY

Mr. SABO. The Airport Authority for the Minneapolis-St. Paul International Airport appears convinced that the FAA's rapid scan radar technology could offer substantial capacity increases at their facility. Is their assertion accurate, and when would you anticipate that FAA's new technology will be available for application at major U.S. airports?

[The information follows:]

The assertion is accurate. FAA has an active RE&D program now demonstrating equipment at Raleigh Durham airport, for the Electronically Scanned (E-scan) system, and at Memphis, for the modified Mode Select (Mode S) system. We are demonstrating not only the equipment, but also the operational procedures which must go along with any new equipment. When the demonstrations are complete this fall, FAA expects that air traffic control, flight standards, airport, and pilot communities can agree on the equipment's potential. We will also understand precisely which systems are needed at which aiports. An assumption being refined in the demonstration is that a combination of systems will meet the need at the lowest cost.

FAA is pursuing a "fast track" approach to shift this capability to operational status wherever it is required. FAA is developing acquistion plans to procure small quantities of both systems, and production versions of those systems could be commissioned beginning in 1993. Some non-Federal entities may be able to move faster than FAA to acquire the equipment. Part of our program is to develop a specification which could be used by others to purchase the system.

NATIONAL BICYCLE PROGRAM MANAGER

Mr. SABO. The report accompanying the 1990 Transportation Appropriations Bill recommends that your office allocate one individual to become the National Bicycle Program Manager. This program manager would coordinate your efforts with FHWA, NHTSA and UMTA to develop a national plan for the promotion of bicycle ridership and safety. I would appreciate it if you could update me on the status of this appointment.

[The information follows:]

Subsequent to this hearing, the Department completed a review of current staffing levels devoted to federal bicycling programs revealing that the equivalent of a little over one full-time staff person is devoted to bicyling programs in the Office of the Secretary, FHWA, NHTSA and UMTA combined. The decision on the Conference Report's recommendation for a national bicycle program manager is still under review.

AIRPORT GRANTS FUNDING

Mr. GRAY. What is the estimated level of the discretionary grant capacity program in FAA for fiscal year 1990 and fiscal year 1991? What percentage of that amount is committed through letters of intent? What is your plan for addressing the rest of the Nation's airport capacity needs?

[The information follows:]

The amount of discretionary funds available at the start of the fiscal year 1990 program for projects to preserve and enhance capacity, safety, security, and to carry out certain noise programs at primary airports and reliever airports was $134.6 million. The amount estimated for fiscal year 1991 is $195.8 million.

The existing commitments, based on letters of intent at primary airports, will require 19.2% of the fiscal year 1990 amount and 21.1% of the 1991 amount.

Capacity projects which are not covered by letters of intent will be addressed through an evaluation process which considers each project's effect on overall national air transportation system capacity, project benefit and cost, and the financial commitment of the airport sponsor to preserve or enhance airport capacity. In addition to these criteria, sponsor timing, the status of any required environmental analysis, and the availability of grant funds will be considered in the awarding of grant assistance.

We are also proposing, in the context of reauthorization, to allow airports to levy passenger facility charges (PFCs). If the prohibition on levying PFCs were removed, more than $1 billion could be generated each year providing a stable source of additional revenues for airport development. In addition, airports that levy PFCs would forgo all or part of their entitlement grant funds, which would then shift to discretionary grant funds for capacity and other airport development projects.

TRANSIT SAFETY AND SEPTA

Mr. GRAY. According to a GAO study I requested, it concluded that UMTA was not doing enough to ensure safety at local transit authorities. They used SEPTA as a case study. Your budget, however, actually shows a slight decline for safety at UMTA. Does DOT intend to respond to the GAO findings? If so, how?

[The information follows:]

Safety is a major concern of UMTA. UMTA will continue to perform its oversight of local transit authorities through training and technical assistance. UMTA will also address safety concerns as part of the Triennial Review and continue to encourage all grantees to have in place a current and approved System Safety Program Plan.

The purpose of the GAO report was to (a) identify any trends in safety at SEPTA, (b) review UMTA's role in monitoring the safety of SEPTA's transit system, and (c) determine the factors, including safety, that UMTA considers in approving formular grant assistance to SEPTA.

GAO had three recommendations for UMTA. The first was to obtain more complete and accurate information on SEPTA accidents, injuries and causes. This information can be used in evaluating SEPTA safety during triennial reviews, in determining whether further safety investigation is warranted, in approving SEPTA's annual program of projects under Section 9, and in making Section 3 grant decisions. The second was to follow-up during Triennial Reviews on safety problems identified in Section 22 investigations. The third was to maintain documentation of Section 3 grant awards.

UMTA is in the process of preparing a response to the General Accounting Office recommendations. The response is expected to note three items. First, UMTA's

Region III Office monitors SEPTA's progress in implementing the approved Corrective Action Plan required by the Section 22 Investigation. In December 1989, UMTA's Region III Office conducted a Triennial Review at UMTA which addressed safety issues. Second, quarterly review meetings are held with SEPTA to assess the progress being made on individual major investment projects that promote safety throughout the system. Third, a major improvement at SEPTA has been the management changes that were implemented at the higher levels within the organization. Under the new leadership at SEPTA, there has been a greater focus placed on system safety concerns.

ADJOURNMENT

Mr. LEHMAN. This concludes the hearing.

WEDNESDAY, FEBRUARY 28, 1990.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

WITNESSES

JAMES L. EMERY, ADMINISTRATOR
ERMAN J. COCCI, ASSOCIATE ADMINISTRATOR
EDWARD MARGOSIAN, COMPTROLLER
STEPHEN C. HUNG, DIRECTOR, ENGINEERING AND PLANNING

Mr. LEHMAN. The Subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1991 budget request for the Saint Lawrence Seaway Development Corporation. Our principal witness today is the Administrator, James L. Emery.

Mr. Emery, we will be pleased to hear your statement at this time. You may read it or, if you prefer to summarize it, we will insert your entire statement in the record.

[The prepared statement of Mr. Emery follows:]

STATEMENT BY JAMES L. EMERY, ADMINISTRATOR
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION
COMMITTEE ON APPROPRIATIONS
WEDNESDAY, FEBRUARY 28, 1990

Mr. Chairman, Thank you for the opportunity to discuss the Corporation's FY 1991 Budget with the Subcommittee:

The Corporation is proposing a program level of $12.1 million for FY 1991, a decrease of $626,000 from FY 1990. Operations and maintenance programs total $10.2 million, an increase of $404,000 or 4.1 percent, while capital plan improvements of $1.9 million reflect a decrease of $1,030,000. The decrease is due principally to a large one-time capital equipment expenditure in FY 1990.

LOCK WALL EVALUATION

Mr. Chairman, as you know, the Corporation during the past six years has undertaken several projects and studies to ensure the stability of the lock walls. As a result of a preliminary investigation conducted by the Corps of Engineers in 1989, the Corporation in 1990 entered into a two-year agreement with the Corps of Engineers to conduct a detailed structural evaluation of the locks. The FY 1991 budget includes $170,000 to complete the $570,000 two-year study. The final report which is due on July 15, 1991, will indicate whether major rehabilitation work is needed.

EMERGENCY RESPONSE PLAN

Mr. Chairman, I would be remiss if I did not discuss with the Subcommittee, the Corporation's updated emergency response plan for oil and hazardous substance spills and vessel incidents in the U.S. waters of the Saint Lawrence River. Immediately after the Exxon Valdez incident, I directed my staff to update our existing oil contingency plan to ensure that it was specific and detailed enough to address the complexity of incidents that are now possible.

We developed a plan that addresses our two key concerns: Immediate response and containment. Secretary Skinner has stated that the plan could be a model for inland waterways nationwide. It is the only comprehensive oil and chemical spill plan for inland waterways in the nation and, as far as we know, in the world. We have shared the plan with more than 200 requesting private organizations and government agencies in the United States, Canada and Europe.

On July 26, 1989, exactly one month after we unveiled it, we were forced to actually use the plan when a vessel spilled 14,000 gallons of xylene in Snell Lock. The plan worked perfectly: The Seaway Corporation immediately responded and quickly contained 100 percent of the xylene in the

Lock chamber. Within 17 hours, the cleanup was completed and the Lock was reopened. No one was killed or injured, the environment was protected and disruption to shipping was minimal.

It is important to note that although the plan reflects the latest in computers, communications and other equipment, the Corporation developed it without requesting additional funding. Instead, the Corporation incurred the cost of the plan by re-prioritizing already existing budget items. The Corporation's FY 1991 budget includes a modest amount of funds to acquire additional oil boom equipment, to continue training programs, and to complete a river computer model that will help track the position of vessels carrying hazardous cargo as well as pinpoint incidents if they should occur.

1989 SEASON

In 1984, we began a series of marketing efforts to effect a diversification in Seaway cargo. We wanted to ensure that the Seaway's livelihood was independent of the movement of any one commodity, such as grain. For the sixth consecutive year, those efforts have proven successful.

In Calendar Year 1989, combined increases in U.S. export grain, export steel and other cargoes helped to offset the 43-percent drop in Canadian grain shipments -- a decline that was largely responsible for a 9-percent drop in total Seaway tonnage from 1988 to 1989. Total Seaway tonnage for 1989 was 37.1 million metric tons.

Canadian grain, in the second year of major reduction, declined 4.2 million metric tons from 1988. The decline is due to: (1) prolonged drought impact; (2) competition from rail/West Coast ports; and (3) lagging sales, particularly to the Soviet Union.

This emphasizes the need for the Corporation to continue its marketing efforts to bring diversity to Seaway tonnage, which traditionally has been grain, iron ore, and import steel products.

The 1989 highlights:

- U.S. grain increased 4 percent over 1988, the third consecutive year of increases, and the best year since 1984.
- U.S. export coal rose 2 percent, the best year since 1982.
- Iron ore rose 4 percent, the best year since 1984.
- Stone and salt tonnages hit all-time highs at 448,000 tons and 1.4 million tons, respectively.

- Export steel products rose 423 percent to 1.5 million tons, more than offsetting the reduction of traditional import volume. This was the best year for export steel since 1982, indicating that the Corporation's export steel seminars in Cleveland and Chicago in early 1989 were beneficial.

MARKETING PROGRAMS

The Corporation has continued to conduct marketing programs aimed at increasing tonnage. Two recent activities worth noting are:

SEAWAY AUTOMATED INFORMATION SYSTEM (SAIS) PHASE III:

The FY 1991 budget includes $250,000 to launch the third and final phase of the Seaway Automated Information System (SAIS) program, which calls for a demonstration program. The SAIS would allow for electronic data interchange (EDI) among participating segments of the Great Lakes maritime community and would interface with government agencies, such as U.S. Customs.

While the Corporation expects to be an SAIS user, it would not operate the system. That would be the role of a third party provider from the private sector.

WINTER PORT ALTERNATIVE:

In an attempt to overcome the disruption of customer service during the winter, when the Seaway is closed, we have initiated a winter port alternative project. This effort is to assess the feasibility of establishing an arrangement between U.S. Great Lakes ports and coastal ports to maintain shipping customer service year-round.

If the project report is favorable, the Lakes industry could potentially implement such a program by next winter.

SEAWAY TOLLS

In 1988 the Corporation and the St. Lawrence Seaway Authority of Canada agreed to eliminate tolls on government aid cargo (P.L. 480 cargo) and to reduce the toll on lumber. In 1989, the Seaway registered significant tonnage increases over 1988 in both cargo categories: government aid rose 86 percent to 162,000 metric tons and lumber rose 21.4 percent to 34,000 metric tons.

As evidenced by those increases, the toll changes worked as incentives for using the Seaway. They were toll incentives that the Corporation used to generate new business for the Seaway and to further diversify the Seaway's cargo.

I soon will meet with the new Seaway Authority President Glendon R. Stewart to discuss further toll incentives as well as Seaway operations and joint marketing activities.

CONCLUSION

I believe the Seaway is moving right on course, and I have been reassured that it is. The Corporation in 1989 surveyed the Great Lakes Maritime Community during its port listen-in meetings at 11 Great Lakes port cities.

The more than 200 respondents to the written survey indicated that the Seaway system rated better in every survey category than it did in 1984: 71 percent said the system is more united; 75 percent said the system's image is better; 57 percent said the system is more competitive; and 70 percent said they are optimistic about the Seaway's future.

Mr. Chairman, this concludes my remarks. I am pleased to answer any questions you may have.

OPENING REMARKS

Mr. **EMERY**. Thank you, Mr. Chairman. On my right and your left is Erman Cocci, the Associate Administrator. On my left and your right is Ed Margosian, the Comptroller, and Steve Hung, the Chief of the Engineering Division, who will be here to help us with our computer demonstration this morning.

I will summarize briefly the statement, some of the highlights. The Corporation is proposing a program level of $12,100,000 for fiscal year 1991. Probably unusual to you, it is a decrease of $626,000 from fiscal year 1990, primarily because in our capital plan improvements, there is a decrease of $1,000,000 due principally to a large one-time capital expenditure in fiscal year 1990 for the repowering of the tug.

The lock wall evaluation is continuing with the Corps of Engineers. Fiscal year 1991 budget includes $170,000 to complete the $570,000 two-year study. The final report is due on July 15, 1991 and will indicate whether there is any major rehabilitation work necessary.

I am going to skip over our emergency response plan, because we will be demonstrating that to you. But I think it is important to note that we do have a very comprehensive emergency response plan for the 120-mile segment of the River under our jurisdiction that allows us to quickly respond to any emergency, contain any spill until the experts can arrive to clean it up.

To my knowledge, this is the only comprehensive spill plan in existence. We have shared it with some 200 maritime interests in the Great Lakes, across the United States, Canada and even in Europe.

During the 1989 season in marketing, we began a series of marketing efforts in 1984 to insure the Seaway's livelihood was independent of the movement of any one commodity, such as grain, and for the sixth consecutive year, these efforts have proven very successful.

We did have a significant drop in cargo tonnage this year, primarily due to a 43 percent fall-off of Canadian grain, a decline that was largely responsible for the 9 percent drop.

Canadian grain declined 4,200,000 metric tons from 1988, due primarily to prolonged drought impact in Canada, competition from the rail/West Coast ports of Canada, and lagging sales, particularly from Canada to the Soviet Union. That still has not been negotiated. Hopefully, they will have some major sales to the Soviet Union in place when we open so that we can start to export that Canadian grain through the Seaway.

I think the drop in the Canadian grain further emphasizes the need for the Corporation to continue its marketing efforts to bring diversity to Seaway tonnage, which has traditionally been grain, iron ore and steel products. U.S. grain exports increased 4 percent over 1988, the third consecutive year of increases. U.S. coal exports rose 2 percent, the best year since 1982. Iron ore rose 4 percent, the best year since 1984. And stone and salt tonnages hit all-time highs at 448,000 tons and 1,400,000 tons, respectively.

Export steel products rose 423 percent to 1,500,000 tons, more than offsetting the reduction of traditional import volume.

In our marketing programs we have two key things underway. One is a Seaway Automated Information System. The Fiscal Year 1991 budget includes $250,000 to launch the final and third phase of this program, which will set up a demonstration project. It would allow for electronic data interchange among participating segments of the Great Lakes maritime community and would interface with Government agencies on both sides of the border, such as U.S. Customs.

I should point out that we will not operate that system. We are just starting it, getting it in place. And it will be taken over by a private enterprise of which we will be a subscriber and a user.

In an attempt to overcome the disruption of customer service during the winter when the Seaway is closed, we have initiated a Winter Port Alternative Project. We have contracted with Martin O'Connell of Pennsylvania to determine the feasibility of establishing an arrangement between U.S. Great Lakes ports and coast ports to maintain shipping customer service year-round.

If this project report is favorable, the Lakes industry could potentially implement such a program by next winter.

In 1988, the Corporation and the Seaway Authority of Canada agreed to eliminate tolls on Government aid cargo and to reduce the toll on lumber. In 1989, the Seaway registered significant tonnage increases in both cargo categories: Government aid rose 86 percent and lumber rose 21.4 percent. We are working today with the Seaway Authority of Canada to further implement additional incentive tolls.

As you probably are aware, there is a new president of the Seaway Authority that was just named in January, Glendon Stewart. I will be meeting with him quite soon, after we complete our trade mission, to go over the incentive toll question and some other problems that we have facing us.

I believe that the Seaway is moving on course. And I have been reassured that it is. The Corporation in 1989 surveyed the Great Lakes maritime community during its port listen-in meetings at 11 Great Lakes port cities. The more than 200 respondents to the written survey indicated that the Seaway system rated better in every survey category than it did in 1984; 71 percent said the system is more united; 75 percent said the system's image is better; 57 percent said the system is more competitive; and 70 percent said they are optimistic about the Seaway's future.

That summarizes, Mr. Chairman, my remarks and I have given the full statement for the record. I would be very happy to now entertain your questions.

WINTER PORT ALTERNATIVE

Mr. **Lehman**. How far up the Saint Lawrence River in the wintertime can vessels go? Is Montreal open all winter?

Mr. **Emery**. Montreal is just outside our first locks, the Canadian locks, which are just upriver from Montreal, so ships go to Montreal year-round.

Mr. **Lehman**. They do.

Mr. **Emery**. Yes, sir.

Mr. LEHMAN. That would seem to be the alternative route. Would that not be the logical place?

Mr. EMERY. There is a substantial amount of cargo now going, U.S. cargo, going through Montreal; but, whether or not that is the most practical route, I think our study will inform us of that. We are looking at Canadian ports as well as other coastal ports, both in the Gulf and on the East Coast.

EMERGENCY RESPONSE PLAN

Mr. LEHMAN. The Exxon Valdez and American Trader oil spills demonstrate the importance of being adequately prepared to respond to oil spills. I know your agency has developed an emergency response plan, you have already mentioned it, but would you briefly summarize your emergency response plan and tell us how the Cape Vincent facility fits into your plan?

Mr. EMERY. Certainly. Mr. Hung, our Chief of Engineering will operate the computer. We updated our emergency response plan right after the Exxon Valdez spill. We were in the process of doing it before that, but we accelerated it very quickly after that spill.

[Computer display.]

Our plan is premised on rapid response and containment, and, on the screen in front of you, you see what we have in our Vessel Traffic Control Center in Massena at the Eisenhower Lock on a much larger screen. This is a river profile that is drawn as you activate the system. This is the 120 miles between Massena and Lake Ontario. We can magnify this to see what mile segments——

Mr. HUNG. Every two miles you can zoom in.

Mr. EMERY. And enlarge it and bring it right up.

What we will do when we open the season is that we will put the ships in, any ships that come in with hazardous cargo, it will just be tracked through our 120 miles all the way down through, listing the cargo, so that very quickly, if something were to happen, we can identify that cargo, what we have to do. It is all on computer, hard copy as well as visual. We can also have printouts of whatever segment that we want.

We have broken the river down into 12 segments, 12 sectors, with four command posts: one at Cape Vincent, one at Ogdensburg, one in Massena, and one in Alexandria Bay at the Coast Guard station.

We store equipment at each of those command centers as well as other fixed equipment, but we have the capability of moving in with portable equipment, portable communications, command posts, so that we can rapidly get our arms around any given situation.

We have used the latest in computer technology, communications and other equipment. We have contracted with Clarkson University to produce a river profile that will be in our system in June so that we can put in the wind velocity, the current velocity, plug that in, and know our response time to each one of these sectors. If we have a spill at Sector A or Point A, if you will, and our response time is an hour and ten minutes, we know exactly where that spill has moved.

And I think, Steve, you can bring that up at this point.

The tracking model is based on weather/water-flow data. It enables us to deploy equipment and people at the optimum location for containment.

Are you putting it in, Steve? For what, an hour?

Mr. HUNG. Yes.

For example, right now, we will assume that this is the origin of the spill. What I show here is one hour after the spill. Now, assuming how many gallons of oil, considering the wind speed, the water flow conditions, this would be one hour after the spill, three hours afterward and five hours afterward. Depending on the location of the ships, the location on the river and the response time, then we will know what to do.

Mr. EMERY. What we do is to contain it from going further down so that we know exactly where it moves.

We have identified in each of the 12 sectors the hazards of water intakes, marinas, beaches, what has to be protected, so we know exactly where to go in and what to protect.

We have a list of equipment and personnel in each area that are available to us, not only Seaway personnel, but Canadian Coast Guard personnel, Seaway Authority of Canada personnel, and local organizations, such as fire departments, emergency response teams in each of those sectors.

As an example, in Sector 10, Steve, if you will, can you pull up a list of equipment, say, the oil boom?

At the command center in Massena, this would come off on hard copy, and we can access that equipment in whatever category. We have got 50 categories, probably, of equipment not only from that which we own, but that is available from other Government agencies, including Ft. Drum in the North Country area, which has made all of their equipment available to us.

HAZARDOUS SHIPMENTS THROUGH SEAWAY

Mr. LEHMAN. How much oil and other hazardous cargo is actually transported through the Seaway?

Mr. EMERY. In 1989, we had 1,800,000 metric tons of chemicals and petroleum products. About 5 percent of our tonnage is in that category.

I might point out that this plan was developed in conjunction with all of the state, provincial, and local governments in the Saint Lawrence River. We have involved the counties, the cities, the towns, the villages, as well as the Canadian Government. The Corporation has trained its own personnel in deployment of the equipment, as well as sponsoring training for local fire, police, Coast Guard auxiliary to give us a backup of people to go in there.

Secretary Skinner said that this plan certainly could serve as a model for in-land waterways nationwide.

Mr. LEHMAN. How large are these vessels that handle hazardous materials and is your plan adequate to respond to a spill from these large vessels?

Mr. EMERY. Yes, sir, it is. The vessels that operate in the liquid bulk commodity area are about 432 feet to 500 feet overall lengths. Probably the average size is about 450 feet.

There was equipment that we had available, but we did purchase some new equipment. We have just shifted some priorities and bought some new equipment, deployment boats and some communication equipment. We geared that around the optimum. If two of the largest vessels came together, that would be the maximum spill, and that is what we have geared our program around.

Mr. **Lehman**. These are not exactly super-tankers, but they are full-sized.

Mr. **Emery**. No, they are a pretty good size. We had a spill back a few years ago and there were 177,000 gallons of fuel oil spilled. That is probably the maximum that we would encounter.

We did have a spill one month after we implemented this plan. We had a 14,000 gallon spill of xylene, which is paint thinner; and we were able to contain it all. It did not pollute any water intakes, wildlife area. We were quickly on the scene. One of the benefits of having this computer model is that when the fire department was en route, we were able to contact the EPA center and find out how to attack and confine that particular product and gave that information to the fire department en route so that they could be properly clothed and protected from the very highly flammable, toxic material.

EMERGENCY RESPONSE PLAN

Mr. **Lehman**. Under your plan, what are the relative responsibilities of your agency, the U.S. Coast Guard, the Canadian Seaway Authority, Canadian Coast Guard, and the vessel operator?

[The information follows:]

The St. Lawrence Seaway Development Corporation prepared the Emergency Reponse Plan in recognition of its public responsibility rather than in response to any legal responsibility. The Corporation understands that the vessel owner or operator has the responsibility to remove any discharges into the waters of the United States. Under the Federal Water Pollution Control Act and the National Contingency Plan, the Coast Guard provides the Federal On-Scene-Coordinator for discharges into U.S. waters of the St. Lawrence River. The Corporation would direct the initial containment and clean-up until the U.S. Coast Guard arrives on the scene of the emergency. The Canadian Coast Guard has the legal responsibility for containment and clean-up in Canadian waters of the St. Lawrence River. The vessel owner or operator must work with the U.S. Coast Guard for containment and clean-up of spill in U.S. waters and with the Canadian Coast Guard in Canadian waters.

EMERGENCY RESPONSE GOALS AND EQUIPMENT

Mr. **Lehman**. Have you established specific response time goals?

Mr. **Emery**. Yes, sir, we have. In every sector, we know exactly how long it will take us to respond and to contain it in each of the sectors.

Mr. **Lehman**. How much cleanup equipment does your agency have and how was this level determined?

Mr. **Emery**. Okay. There are five major cleanup agencies or contractors that are located along the international section of the Saint Lawrence River. They have all types of pollution control equipment immediately available for control and cleanup. Besides the Seaway Corporation and the Seaway Authority, we have two private enterprises: The Fourth Coast Pollution Control at Waddington, New York, and NAVENCO at Cornwall, Ontario, as well as the Canadian Coast Guard.

I think it is important to note that the Canadian Coast Guard, NAVENCO and Fourth Coast Pollution all provided cleanup and pollution control equipment for the Exxon Valdez in Alaska. So, they are located right within the jurisdiction of our river segment.

Mr. LEHMAN. Do you have plans to purchase more equipment?

Mr. EMERY. We will be buying some additional equipment, updating, about $57,000 for some more boom equipment. To date, we have expended about $270,000. That includes both the Clarkson contracts to develop the model and the purchase of new equipment.

Mr. LEHMAN. What is the extent of the private sector capability to respond to spills on the Seaway?

[The information follows:]

Established commercial pollution control concerns are available in the area to perform under contract and were in fact used for the clean-up of the xylene spill in July of 1989.

COAST GUARD RESPONSE CAPABILITY

Mr. LEHMAN. What is the extent of the Coast Guard's response capability? For example, where is the nearest response team, what equipment do they have along the Seaway or around the Great Lakes, and what is your view of the adequacy of their capability? Does that include both the U.S. and the Canadian Coast Guard?

Mr. EMERY. Yes. The Canadian Coast Guard is based right across the river from us in Prescott, which is very close to Massena, and it is about at a mid-way point in the river.

The Coast Guard has a station at Alexandria Bay, but their personnel come out of Buffalo. The Fourth Coast Pollution Control at Waddington is under contract with the Coast Guard. They are a private enterprise. They all responded to our spill in July very quickly. They were on scene almost immediately and, when the Coast Guard Commander arrived there, he took over the cleanup effort. So, I think we are in pretty good shape in that area.

Mr. LEHMAN. Do you have any specific procedures or equipment to deal with a spill that occurs in cold weather when there is ice along the shoreline?

Mr. EMERY. Generally, at the end of the season and at the beginning there is some ice along the shorelines. We would just respond with the equipment that we have. We do not have any specialized equipment to go under the ice at this point.

PILOT STANDARDS

Mr. LEHMAN. How are the standards for the pilots who operate on the Seaway established?

Mr. EMERY. Standards for the pilots are under the jurisdiction of the United States Coast Guard. All vessels that are foreign flagged have a U.S. pilot, a river pilot. The Lake vessels, which are basically the Canadian traffic, do not have a pilot because they make the runs frequently and have masters as experienced as the U.S. pilot.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman.

We welcome you before the Committee, again. We are glad to have you here.

Mr. EMERY. Thank you.

COLD WEATHER IMPACT

Mr. Coughlin. I know that December was about the worst December we can remember. What impact did that kind of cold weather have on Seaway operations? Did you have to close down early?

Mr. Emery. We were slated to close just before Christmas, and we transitted the final vessel December 23rd, which was in conformity with our plans and our announcements. There were some problems from Montreal down-bound. There was a considerable amount of congestion there. The Canadian Coast Guard was on strike. And not only adding to the bad weather that we had there, but the Canadian Coast Guard did not at that time fall under the purview of a critical Government agency. I understand now that it does, and they can no longer go on strike.

What happened there was that the aids to navigation from Montreal to Quebec iced up. Some of them sank. They got out of channel. It was a very limited shipping activity there. It did not affect the locks, either the Canadian locks at Welland or the Canadian-U.S. locks in the Saint Lawrence River. We continued to operate.

Mr. Coughlin. Is that Canadian strike over, now?

Mr. Emery. They were ordered back by the Government the latter part of December. They are back, now. I was just talking to an official from the Coast Guard, and they have got all the buoys pretty well in place, and they will be ready for the opening of the season, I am sure.

Mr. Coughlin. Did the U.S. Coast Guard step in to assist in the icebreaking capability?

Mr. Emery. Yes, sir. We had two icebreakers in the Eisenhower Lock area, and the Canadian Government did request U.S. assistance. One icebreaker went into Montreal area for icebreaking activities.

Mr. Coughlin. I understand that the Seaway has a 99.9 percent reliability record over its 31-year history, which is pretty remarkable. It is probably unparalleled.

Mr. Emery. We hope to improve upon it.

Mr. Coughlin. How do you compute that figure?

Mr. Emery. Well, we computed the number of days that we are open and the number of days that we were closed due to failures and it comes out to about 99.9 percent. We were closed for about 5 weeks in 30 years. So, that is a pretty good record.

TOLL ELIMINATION

Mr. Coughlin. A provision in the Water Resources Development Act of 1986 mandated that the Federal Government initiate toll negotiations. In 1987, the United States has rebated the Seaway tolls to shippers using the system, while Canada continues to retain tolls received in the Seaway operations. What progress is there on this front?

Mr. Emery. On January 26, 1989 the Canadian Government responded to the request from the Department of State, and I will summarize it in one sentence. It says the Canadian Government's maintenance of tolls is a major component of Canada's comprehensive policy of cost recovery. This remains the position of the Canadian government. So, they are just not looking at it.

In fact, I just came back from a meeting two days ago, and the Canadian Government is looking for further ways to impose user fees in the maritime industry. That is much different than what we are suggesting down here. I think that the toll situation is going to continue, and in Canada, they will continue to impose a toll. There are no plans at this point to indicate otherwise.

Mr. COUGHLIN. How much revenue does this bring into Canada? Is it a significant amount?

Mr. EMERY. Between $70,000,000 to $80,000,000 annually. And that pretty well funds their operation. The Canadian Government is spending $175,000,000 over a six-year period to rehabilitate the Welland canal locks. That is not going to be factored into the total recovery, that appropriation is coming directly to the Seaway from the Canadian Government. But as for the tolls for operation and maintenance, I do not see anything on the horizon that indicates that that would be changed.

LETTER OF RESPONSIBILITY

Mr. COUGHLIN. I have one final question. The General Accounting Office audited the Seaway and made several recommendations which seem to have been accepted and implemented. The GAO was concerned that the Seaway Corporation could be at risk for potential overruns in repairing damage done to locks by ships in transit. Could you explain the letter of responsibility approach currently used and alternatives considered as a result of the GAO study?

Mr. EMERY. We are revising the letter of responsibility to insure that all repair work is recovered by the Corporation. Also, the Corporation is obtaining a bond on a large repair job. In addition, our revised billing procedure implements monthly reimbursement for actual work performed. So, we are dealing with that directly and have implemented that. That is agreeable to Arthur Andersen.

Mr. COUGHLIN. Thank you, Mr. Chairman.

TRAFFIC PROJECTIONS

Mr. LEHMAN. Thank you, Mr. Coughlin.

A year ago, you were estimating calendar year 1990 tonnage at just under 41 million metric tons. What is your current traffic projection for this year?

Mr. EMERY. The current traffic on the Seaway was down, as I pointed out, because of the drought. We will be revising downward the 1990 forecast as soon as the Canadian Government gives us their grain forecast. I think that will be dependent upon whether or not they make significant overseas sales of grain. So that the 40 million tons for 1990 will be revised downward slightly, based upon that range. We will probably have that available when we open up the season, April 1.

Mr. LEHMAN. Will your projections for 1991 be revised, also?

Mr. EMERY. 1991, these were based on our budget submission for September of 1989. We forecasted 1991 at 40,420,000. That will probably be revised slightly downward, too, depending upon what the future grain——

Mr. LEHMAN. Is "slightly" 1 million tons?

Mr. EMERY. I would say probably 2 to 3 percent downward.

Mr. LEHMAN. That is in million tons?

Mr. EMERY. Yes, sir.

COAL EXPORTS

Mr. LEHMAN. Last year, you indicated that there had been a sharp increase in coal exports to Denmark, and you expected this trend to continue to improve. To what extent have your coal exports continued to improve, and what are your projections for calendar years 1990 and 1991?

Mr. EMERY. U.S. export coal through the Seaway was 2 percent over 1988, the best year since 1982. I look for that to continue. Again, the projections from the National Coal Association are that the U.S. is still the most reliable and dependable supply of coal. I think that will increase slightly. Our problem was this year that we did not have enough ships to carry the overseas commodity, and, hopefully, those ships are going to be found this year so we can export more coal.

Mr. LEHMAN. Where is this coal mined?

Mr. EMERY. The coal mines are in the Appalachia area. Most of the export coal comes from Illinois, Kentucky, West Virginia, through Sandusky, Ohio, Toledo, Ohio and Ashtabula——

Mr. LEHMAN. The coal mines, though, are basically in Illinois.

Mr. EMERY. They are in Illinois, Kentucky, Ohio and some Pennsylvania. There is also some coal that is exported from the Port of Superior, on Lake Superior that is the western coal.

Mr. LEHMAN. I was just wondering why it would not go through Norfolk.

Mr. EMERY. A significant amount goes through Norfolk and Philadelphia. It is very interesting, Conrail, which has their principal coal export facilities on the East Coast, in their brochure this year they have included the Seaway ports, because exporters are shipping with Conrail through the Lake ports as well as through the East Coast.

GRAIN EXPORTS

Mr. LEHMAN. Grain has been your main commodity. What are the estimates for U.S. and Canadian grain exports for 1990? I know Canada grain is down, but what is happening to the U.S. grain?

Mr. EMERY. The U.S. was up. The Canadian grain was down 43 percent or 4,200,000 tons. U.S. grain was up 4 percent over 1988, the third consecutive year of increase. We are now getting to the point we are almost parallel in what is being shipped both from the U.S. and the Canadian side.

I think, and I am optimistic here, that with the fact that we are still the largest and best producing area of the United States and Canada in the world as far as agricultural products, I think there is going to be a continued demand for U.S. and Canadian grains in world markets. As that improves, then we have a chance to improve along with it.

Mr. LEHMAN. Are railroads giving you competition for these grain shipments?

Mr. **Emery**. Our major competitor for U.S. grains is the Mississippi, the barge system. Some rail to the Gulf. There is a problem with the Canadian railroads. It is called the Western Grain Transportation Act, and it favors shipping grain through the West Coast, Vancouver, with a beneficial rail rate, rather than the Seaway. That is being addressed by the Canadian Government and the private sector. Hopefully, there are going to be some revisions there that the Port of Thunder Bay, which handles the bulk of the Canadian grain exports on the Lakes, will have some improvement.

DEFENSE CARGO

Mr. **Lehman**. Have you been able to entice any U.S. flag ships into the Seaway so we can haul some DOD cargo?

Mr. **Emery**. We had, during 1989, Lykes Brothers return to the Lakes after a period of not being there. Two other carriers, Dock Express and AFRAM Lines operated out of the Lakes this year. We still have a lack of U.S. flags in the Lakes. All Defense cargo has to go on that. And 25 percent of the PL–480 has to go on the U.S. flag.

I had a meeting with Lykes Brothers in January. Hopefully, they are going to continue in the system. We are being hurt, somewhat, by the fact that the set-aside for a Government aid cargo PL-480 expired in December of 1989, and that is being renegotiated here in Congress, and whether that will continue to have a set-aside for the Lakes or not, I do not know; but it is a very important cargo to ports in the Lakes. I am hoping that some compromise can be worked out.

OPERATIONS

Mr. **Lehman**. Your operations, compared to your 1977 level of 57,500,000 tons, is still down. What long-term traffic projections for the Seaway do you have that would give you some idea of where you were heading?

Mr. **Emery**. We are only projecting a 2 percent increase between now and fiscal year 1995. That is only going to take us to around 42,000,000 tons. 1977 was a banner year for U.S. grain exports. We have not reached that capacity since the grain embargo that was imposed. But signs indicate, based upon the policy here of the Congress and the Administration for our agriculture programs and the value of the dollar, that we have been able to get back into the world markets. And I think most everything will hinge upon that value of the dollar and the grain policies established by the Department of Agriculture.

COMMODITY FLOW STUDIES

Mr. **Lehman**. Have you conducted any of these commodity flow studies, so you know which direction the commodities are moving and why?

Mr. **Emery**. There has not been any major forecast since 1982 on flow. We are in the process now of doing a cost comparative study, that will be ready for us in April or May, to determine the competitiveness of shipping through the Seaway, vis-a-vis other ports. Primarily, the cargoes are there. It is incumbent upon the carriers in the private sector to go after the most competitive route, and we intend to prove to them that we are competitive in those break bulk and bulk shipments.

SEAWAY VERSUS OTHER AMERICAN PORTS

Mr. **Lehman**. Let me see what kind of business you are doing with 40,000,000 tons a year. Compared to an ordinary port in the United States, like the Port of Jacksonville or the Port of Mobile, how many tons does the Port of Mobile or the Port of Jacksonville or one of those ports do a year?

Mr. **Emery**. I do not have that available.

Mr. **Lehman**. I would like to compare the Saint Lawrence Seaway to an American port.

Mr. **Emery**. That is available. I can tell you this. Of the U.S. side, there are about 6 ports that will appear on the top 20 ports of the United States. All of that does not go through the Seaway. There is an awful lot of cross-Lakes traffic between the United States and Canada. For instance, all of the coal shipments that come out of Sandusky or Ashtabula that go to Canada do not go through our locks. They go through the Welland Canal to Toronto for Ontario Hydro.

There are about 180,000,000 tons annually that move through the whole Great Lakes-Saint Lawrence Seaway system.

Mr. **Lehman**. Can you give me some comparison of how big the Saint Lawrence Seaway port activity is to an ordinary American port. I would just like to see what you are doing?

Mr. **Emery**. We can furnish that port-by-port to you and then as a system. And I will be very glad to submit that.

[The information follows:]

U.S. PORT TRAFFIC -- CY 1987 (Short Tons)

RANK	PORT	TOTAL	IMPORTS	EXPORTS	DOMESTIC
1	New Orleans(LA)	167,917,822	18,591,032	47,173,714	102,153,076
2	New York/New Jersey	157,800,967	46,492,136	6,162,608	105,046,223
3	Houston(TX)	112,546,187	34,557,913	22,945.952	55,042,322
4	Valdez(AK)	106,867,415	5,303	4,727	106,857,385
5	Baton Rouge(LA)	73,401,202	8,680,048	14,729,758	49,991,396
6	Hampton Roads(VA)	59,491,077	5,752,462	40,976,294	12,762,321
7	Corpus Christi(TX)	53,539,806	27,015,154	4,358,682	22,165,970
8	Long Beach(CA)	45,898,541	11,565,461	10,954,677	23,378,403
9	Tampa(FL)	44,303,389	5,383,008	13,780,404	25,139,977
10	Los Angeles(CA)	40,460,556	10,931,388	8,231,823	21,297,345
11	Baltimore(MD)	37,488,624	14,618,895	10,180,919	12,688,810
12	Philadelphia(PA)	37,336,977	21,176,810	2,082,567	14,077,600
13	Texas City(TX)	37,233,420	16,793,110	2,004,052	18,436,258
14	Duluth/Superior(MN/WI)	36,462,867	503,005	4,301,251	31,658,581
15	Mobile(AL)	32,384,042	4,621,784	10,564,499	17,197,759
16	Lake Charles(LA)	31,730,771	14,979,620	4,082,018	12,669,133
17	Beaumont(TX)	29,758,759	5,577,188	4,375,357	19,806,234
18	Marcus Hook (PA)	28,154,337	16.545,059	30,738	11,578,540
19	Pascagoula(MS)	27,824,815	14,466,236	1,003,333	10,355,246
20	Portland (OR)	26,812,547	2,598,609	12,985,565	11,228,373
21	Richmond (CA)	21,431,418	1,813,905	2,991,705	16,625,808
22	Chicago(IL)	20,705,241	2,424,236	171,349	18,109,656
23	Port Arthur(TX)	20,615,945	9,497,167	3,019,368	7,899,410
24	Boston(MA)	19,829,871	10,266,477	655,939	8,907,455
25	Seattle(WA)	18,552,750	5,326,270	5,767.502	7,458,978
26	Paulsboro (NJ)	17,936,169	11,006,258	128,109	6,801,802
27	Tacoma(WA)	17,129,788	3,884,413	7,737,710	5,507.665
28	Toledo(OH)	16,211,727	1,529,844	6,303,965	8,377,918
29	Lorain (OH)	14,372,412	54,085	--	14,318,327
30	Detroit(MI)	14,129,840	1,502.396	528,001	12,099,443

(OVER)

U.S. PORT TRAFFIC -- CY 1987 (Continued)
(Short Tons)

RANK	PORT	TOTAL	IMPORTS	EXPORTS	DOMESTIC
31	Port Everglades(FL)	14,045,487	3,739,577	610,424	9,695,486
32	Freeport (TX)	13,980,280	4,108,713	1,389,443	8,482,124
33	**Cleveland(OH)**	13,914,947	2,443,401	215,044	11,256,502
34	Anacortes(WA)	13,687,875	1,713,101	1,030,564	10.943,410
35	Jacksonville(FL)	13,483,675	3,859,055	2,193,436	7,431,184
36	San Juan(PR)	13,452,284	4,514,129	748,002	8,189,993
37	Savannah(GA)	13,201,806	6,153,495	4,238,914	2,809,397
38	**Indiana(IN)**	13,135,416	509,892	14,643	12,808,881
39	New Castle (DE)	11,292,068	37,447	4,194,981	7,059,640
40	Honolulu(HI)	9,736,688	683,679	226,639	8,826,370
41	New Haven(CT)	9,552,730	3,060,753	207,640	6,284,337
42	**Presque Isle(MI)**	9,332,587	--	4,202,174	5,130,413
43	Oakland(CA)	9,211,932	2,905,590	3,375,073	2,931,289
44	Portland (ME)	9,151,027	6,152,710	43,650	2,954,667
45	Charleston(SC)	8,907,313	2,995,535	3,021,697	3,349,785
46	**Ashtabula(OH)**	8,858,069	665,112	4,902,876	3,320,081
47	Galveston(TX)	8,684,216	642,996	5,696,710	2,344,510
48	Longview(WA)	8,082,272	898,155	5,096,849	2,087,268
49	Camden/Gloucester City(NJ)	7,885,736	2,796,254	1,382,852	3,706,630
50	Coos Bay(OR)	7,761,681	11,917	4,381,684	3,368,080
51	Wilmington(NC)	7,692,936	2,324,991	724,484	4,643,461
52	**Taconite Harbor(MN)**	7,535,009	--	289,906	7,266,103
53	Providence(RI)	7,450,640	2,525,215	454,160	4,471,265
54	**Two Harbors(WI)**	7,414,003	--	--	7,414,003
55	Albany(NY)	7,375,043	2,038,316	148,189	5,188,538
56	**Gary(IN)**	7,265,788	--	--	7,265,788
57	Everett(WA)	7,200,171	541,518	2,002,323	4,566,332
58	Barbers Point(HI)	7,135,064	2,812,968	323,911	4,358,385
59	**Burns Waterway(IN)**	7,093,196	1,050,720	28,126	6,014,350
60	**Conneaut (OH)**	7,046,570	111,286	4,265,422	2,669,862

SOURCE: U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center.

REVENUE PROJECTIONS

Mr. **Lehman**. All right. In 1989, your toll revenue was 8 percent below 1988. What is your revenue projections for 1990?

Mr. **Emery**. Our revenue projections for 1990 are $10,210,000; and for 1991, 10,500,000. Now, this is the toll forecast, that amount of money that is taken in and then returned under the Act of 1986 that took effect in 1987. Other revenues are projected to $1,400,000, which are rentals, our portion of the concessions, the interests on our deposits in our reserve account, which last year gave us almost $1,000,000 in interest on our reserve.

Mr. **Lehman**. Are any changes in tolls or other fees contemplated?

Mr. **Emery**. Well, the second phase of the toll agreement negotiated in 1988 with Canada, there will be a 4.5 percent increase on the Canadian tolls effective the shipping season, April 1st.

Mr. **Lehman**. You mentioned that you reduced tolls on lumber by about 53 percent, and 80 percent of this came from Canada. If you are going to negotiate toll reductions, do you think you ought to concentrate your efforts on commodities that originate in the United States?

Mr. **Emery**. The PL-480 cargoes where we eliminated the tolls exclusively, that is all U.S. traffic. There is no program in Canada—well, there is a program there, but they do not ship any commodities through the Seaway. So, with that total elimination and we had about 186,000 tons of PL-480 cargoes last year.

Mr. **Lehman**. Are other reductions contemplated for U.S. commodities?

Mr. **Emery**. We are talking about some other commodities, and there is a plan in effect now that will be implemented if the whole industry agrees to reduce shipping costs and port costs, then we will take into consideration lower tolls.

Mr. **Lehman**. For the record, could you list which ones you are talking about?

Mr. **Emery**. We do not have any specific commodities. The program that we have developed, it is now in the maritime community, is addressing all commodities and it is primarily aimed at attracting new cargoes. The reason we reduced the toll on lumber is that we handled very small amounts of lumber products and we wanted to entice that. It has proven very effective in the first year. The numbers are small, but we have had a substantial increase in the commodities. We will go after primarily new commodities to attract new users to the system.

Mr. **Lehman**. When you reduce the tolls, does that merely increase exports, or does it just transfer those same commodities from another source of transportation? Are you creating markets by reducing tolls?

Mr. **Emery**. I think we are. Of the total cost of a product, and I am speaking only from the United States' side, 25 percent is transportation costs. So, if we can in any way effect lowering that 25 percent transportation costs, that should put our products into the overseas foreign markets a lot cheaper. There is some very interesting arrangements put together at a nickel a ton, so that there is, I am sure, a certain amount of shifting; but, I think from the

United States, on the export side, if we can put our commodities into foreign markets cheaper, then we are more competitive.

CANADIAN AUTHORITY TOLLS

Mr. **Lehman**. As we have discussed in the past, since you rebate your tolls to the shippers, it is easier for the Canadian Authority to increase its tolls on the Welland and Montreal-Lake Ontario sections. What toll rate increases are the Canadians planning to implement on these sections in 1990?

Mr. **Emery**. 4.5 percent that was negotiated in 1988. And that will take effect in 1990. We will then negotiate further toll increases or changes in the fall of 1990.

MARKETING

Mr. **Lehman**. How are you directing your marketing efforts to promote traffic growth in your principal commodities?

Mr. **Emery**. Besides the winter port alternative and the electronic data interchange, we held two export steel seminars, one in Chicago, one in Cleveland this past year. They were very well attended. The programs were put on by the industry itself although we were the sponsor of it.

We had a significant amount of U.S. export steel go out this year, 1,500,000 tons. And we think, again, if the dollar stays in its present position in the world markets, that we will continue to have steel.

We are contemplating this year two more seminars, one dealing with the Free Trade Pact with Canada—this was requested at our listen-in series last year—and one, the European Community 1992. We will be having seminars on both of those categories along with the results of our winter port alternative and the electronic data interchange system. They will be scheduled for June.

We co-sponsored three major programs last year with the Seaway Authority, two in New Orleans, one in Chicago. Again, fundamentally promoting the Seaway system and its capabilities.

We are embarking on our sixth trade mission Friday of this week. We are going back to Rotterdam, Hamburg with new stops in Vienna, and a stop in Moscow and Leningrad.

We tried to be invited to Russia two years ago. They refused us. This year we have two sponsors, the Ministry of Merchant Marine in Moscow and the Baltic Shipping Company in Leningrad. We are hoping that with the new changes that are developing in the Eastern Bloc countries, that we are going to have significant gains in those areas.

TRADE MISSION

Mr. **Lehman**. Last year you went to London, Antwerp, Madrid, Morocco, and Tunisia. Did it help?

Mr. **Emery**. Yes, sir. It did. We made a stop at Antwerp, which is the principal trading partner with the Lakes. We have had significant increases in liquid bulk commodities between Antwerp, Rotterdam, and the Lakes.

In the African market, we continue to promote the U.S. grain shipments between the lakes and between Morocco and Algeria. That was significant last year.

Mr. **Lehman**. You did not go to Algeria.

Mr. **Emery**. We went to Algeria the year before. We went to Morocco and Tunisia last year.

Mr. **Lehman**. Algeria was the breadbasket of the Roman empire.

Mr. **Emery**. They are the largest importer of U.S. grains through the Seaway. So, they are a very important customer.

Mr. **Lehman**. What countries are you scheduled to visit this year, and why were they scheduled?

[The information follows:]

We are scheduled to visit the Netherlands, West Germany, Austria, and the U.S.S.R.

The Netherlands had a three year average annual Seaway traffic with the U.S. and Canada, direct and transhipped, of 1.5 million tons, 6% of total overseas traffic. Traffic is 43 pecent import (steel, chemicals, and ores) to the U.S. and Canada and 57 percent is export to the Netherlands, primarily grain. In terms of direct overseas movement through the locks to or from Lake ports, in 1988, the Netherlands ranked second for total cargo, fourth for general, first for bulk, and third for grains.

West Germany had a three year average annual Seaway traffic with the U.S. and Canada, direct and transshipped, 656,000 tons of total overseas traffic. Traffic is 48 percent import (steel, chemicals, and coke) to the U.S. and Canada and 42 percent is export to West Germany, primarily grain. In terms of direct overseas movement through the locks to or from Lake ports, in 1988, West Germany ranked sixth for total cargo, fifth for general, and fifth for grains.

Over the past year total trade between Austria and the U.S. was about 200,000 tons. Of that total 95% was exports of specialty steel products. In terms of direct overseas movement through the locks to U.S. Lake ports, the Seaway handles over 50 percent of the total U.S. exports from Austria. Over 95,000 tons were received at U.S. lake ports over the past year: steel coils, rods, radiators, stainless steel, tubes, plates, wire, bars, and castings.

The U.S.S.R. three year average annual Seaway Traffic with U.S. and Canada, direct and transhipped, was 5 million tons, 20 percent of total overseas traffic. The primary cargo is grain exports, moving through lower St. Lawrence elevators. U.S. exports for 1988 were just under a million tons ranking Soviet grain purchases as the number two shipper (Algeria is number one). Canada shipped almost 4 million tons of grain over the 1987-1988 crop year. Import cargoes were minimal, 35,393 tons, including Vehicles (tractors) and parts, and iron and steel billets and scrap iron.

Mr. **Lehman**. Please provide a statement for the record elaborating on the objectives of this year's trade mission.

[The information follows:]

The Trade Mission program goals and objectives are: personal contact with current and potential System users; targeting of specific commodity and service interests; a mutual exchange of information about the Seaway System; establishment of follow-up activities, Seaway Review distribution, and encouragement of overseas visits to the Seaway; enhancing the Seaway presence with overseas maritime interests; and experience for planning additional marketing and mission projects.

TRADE MISSIONS CO-SPONSORED BY THE CANADIAN SEAWAY AUTHORITY

Mr. **Lehman**. As I understand it, the Canadian Seaway Authority officially co-sponsors these trade missions only every other year. To what extent have you looked into having biennial visits, or having annual visits with sponsorship rotating between your agency and the Canadian Authority? Why don't we just flip-flop them instead of duplicating?

Mr. **Emery**. There is Canadian participation. And they encourage it with their private sector trade. We got six participants from

Canada this year out of a total of 26. That is down about half. They usually have 12 or 13.

As I mentioned earlier, they just changed the command at the Seaway Authority. One of my points of discussion with the new president, Mr. Stewart, will be to have annual trade missions, which their trade seems to support; but, the Seaway Authority for their reasons goes every other year.

There is great interest, however, I might point out, in their staff. And the people who are working in their business development office, they do go every year.

If we go every other year, we would be going back continually almost to the same spots, because you have to make those calls in a pretty frequent manner. That would not allow us to go into new market areas. I think it is important that we do reach out to the new market area.

MARKETING

Mr. LEHMAN. What else do you do besides trade missions to promote the Seaway?

Mr. EMERY. We have a domestic program of marketing efforts in the Lakes, primarily focusing on target commodities as we did last year, export steel. As I pointed out, we jointly had three promotions in the bulk commodity trade. We held our listen-in series throughout the Lakes to get feedbacks from the maritime community last year. And our goal is just to continue to move into the promotional phase. We are developing a new video for promotional activities with the Seaway Authority of Canada. We just completed our new brochure that we are putting out. So, we continue to, on a regular basis, upgrade our promotional efforts, which I think is essential to do to bring together all of the aspects of the shipping community. We kind of act as the marriage broker, if you will, bringing together the people in the transportation industry with the shippers and seeing if we cannot put together a package to ship through the Seaway.

CORPS OF ENGINEERS LOCK STABILITY REPORT

Mr. LEHMAN. Last year it was indicated that you were expecting to receive a report from the Corps of Engineers on the internal structural integrity of the locks. What did that report conclude?

[The information follows:]

Based on the preliminary anchor investigation conducted during the 1989 winter shut-down period, the Corps of Engineers concluded that the post-tensioned anchors installed in 1968-69 appear to be in excellent condition. However, the Corps recommended that a detailed structural evaluation, including field investigation of concrete conditions and seismic analyses, be performed to determine structural adequacy of the locks and the possible need for future major rehabilitation.

Consequently, the Corporation entered into a two-year $570,000 ($400,000 FY90, $170,000 FY91) Interagency Agreement with the Corps effective January 29, 1990. The final report is due in July 15, 1991.

LOCK STABILITY

Mr. LEHMAN. You also mention that you had budgeted $250,000 to monitor lock wall movements and groundwater pressure in the backfill as part of your continuing efforts to evaluate lock stability. What have you found?

Mr. **Emery**. We are just contracting and buying the equipment for that now. We will have that concluded in September of 1990. That is going to be an in-house project. We are buying the monitoring equipment that the Corp of Engineers had recommended. So, we will know on that at the end of the summer.

Mr. **Lehman**. Are you satisfied with the condition of the locks?

Mr. **Emery**. Yes, sir. I think that we will know more once we complete the structural evaluation under the second year of the two year contract with the Corp of Engineers. I should point out there is $170,000 in this budget for the second year and the final report is due on July 15th, 1991.

Based on the preliminary anchor investigation conducted during the shutdown of this past year, the Corp of Engineers concluded that the post-tensioned anchors installed back in the late 1960's appear to be in an excellent condition. But we are going through this additional structural analysis. We will know at the conclusion of the 1991 study.

Mr. **Lehman**. Do you have any other current plans for additional rehab of the locks?

Mr. **Emery**. Nothing that we cannot handle with our normal winter maintenance program. And we have a program to continue to upgrade the concrete and some mechanical elements of the locks.

SEASON EXTENSION

Mr. **Lehman**. On your goal to provide year-round service for shippers, what progress has made on that during the year? Is any consideration currently being given to extending the shipping season?

Mr. **Emery**. We have generally extended the season by a day or two every year. We are now down to the later part of December.

The International Association of Great Lakes Ports has requested that the two Seaway entities entertain a pilot project for a three to five year span to determine whether a two week extension of the closing would generate a new and increased traffic. Again, that is one of my points of discussion with Mr. Stewart of the Seaway Authority. I think that we can very easily operate for another two weeks in the year. If the traffic is not there, they don't want to go through the exercise of just staying open.

Mr. **Lehman**. You don't want one of these vessels locked in—

Mr. **Emery**. Weather is always the final mandate on when we close.

Mr. **Lehman**. You told us when you closed last year. When do you expect to open this year?

Mr. **Emery**. We expect to open around March 28th, which will be a couple of days earlier than normal. There is a pretty heavy demand for iron ore, coal, coke for the steel industry, and there is some grain to be moved out.

Mr. **Lehman**. Which date did you close last year?

Mr. **Emery**. December 23rd.

OMB CIRCULAR A-76 COMPLIANCE

Mr. **Lehman**. What is the status of your actions on the IG's report that concluded that you were not in compliance with OMB Circular A-76?

Mr. **Emery**. The IG report has been closed and the Corporation has done what is necessary to respond to the requirements of the Circular working through the office of the Secretary of Transportation.

The Corporation's activities are considered to be inherently Governmental and not commercial activities to which the Circular's requirements apply.

In addition, the Government of Canada has informed us that they would consider contracting out of the Corporation's activities to be contrary to the international treaty under which the seaway is jointly operated and, thus, exempt from the Circular's requirements.

So, the IG report is closed. And we are working on the compliance now with the Secretary.

LETTER OF RESPONSIBILITY FOR REPAIR WORK

Mr. **Lehman**. A recent Arthur Andersen audit report recommended that you revise the language in the "letter of responsibility" you receive from ships so as not to limit your ability to recover all repair work. In addition, it was recommended that you consider obtaining a bond on large repair jobs or charge a fee for use of their funds while awaiting reimbursement for damages. Have you fully implemented both of these recommendations?

[The information follows:]

We are doing so now.

Mr. **Lehman**. Please elaborate on the specific actions for the record.

[The information follows:]

We are revising the letter of responsibility to insure that all repair work is recovered by the Corporation. Also, the Corporation is obtaining a bond on a large repair job. In addition, our revised billing procedure implements monthly disbursement for actual work performed. So, we are dealing with that directly and have implemented that. That is agreeble to Arthur Andersen.

REPLACEMENT AND IMPROVEMENT PROJECTS

Mr. **Lehman**. Would you provide for the record the replacement and improvement projects, on order of priority, for fiscal years 1989, 1990, 1991, similar to the information contained on pages 252 and 253 of last year's hearing record?

[The information follows:]

Replacement and improvement projects

	Amount
Fiscal year 1989:	
Replace Hatch Covers	$26,660
Safety Improvements	10,961
Fender Boom Modifications	5,520
Upgrade of Lock Control Electrical Equipment	47,246
Conversion of Navigational Aids to Solar Power	55,684
Installation of Sector Light and Chimney Island	8,583
Construction of Fixed Light No. 47	114,957
Design to Repower Robinson Bay Tug	20,712

Improve Pavings—Guardrail Service Roads	149,388
Improve Existing Pavings Near Eisenhower Visitor Center	36,930
Improve Lafargeville Remote Radio Station	5,242
VTC Vessel Display System (System Requirement)	58,616
Replace VTC Radio Consoles	55,868
Replace Fender Boom #2 to Accommodate Maximum Ships	49,900
Marine Base Office and Shop Facilities	147,214
Eisenhower Visitor Center Improvements	12,915
New Tile Gage at Eisenhower Lock	22,285
Replace Generator on Work Boat	8,255
Parking Lot Expansion—Administration Building	66,347
Harbor Tugs (2)	51,166
Video Transmission Snell/Snug Harbor/Eisenhower	32,391
Replace Underground Fuel Storage Tanks	165,012
Relocation of Electrical Cables	19,469
Extend Dock Facilities at Marine Base	25,244
VTC Computerized Vessel Display Status	32,203
Other Improvements	19,843
Total	1,248,610
Fiscal year 1990:	
Replace Hatch Covers	25,000
Safey Improvements	15,000
Upgrade Lock Control Electrical Equipment	50,000
Construct Fixed Light No. 51	140,000
Install Racon Light at Seaway International Bridge	6,000
Design Vehicle and Heavy Equipment Repair Shop	55,000
Eisenhower Visitor Center Improvements	75,000
Paint Shop Construction	351,000
Cape Vincent Dock Improvements	36,000
Lafargeville Radio Station	19,000
Philly Tugs	16,750
Design to Repower Robinson Bay Tug	15,000
Other Improvements	41,250
Total	845,000
Fiscal year 1991:	
Safety Improvements	10,000
Upgrade Lock Control Electrical Equipment	50,000
Replace Starters for Synchronous Motors	50,000
New Tile Gages at Snell Lock	30,000
Installation of Sector Light at Cat Island	10,000
Construction of Light No. 55	180,000
Replace Windows of Control House and Center Buildings	45,000
Grouting of Cracks at Snell Lock	500,000
Construct Vehicle and Heavy Equipment Repair Shop	349,000
Training Dike Improvement	300,000
Total	1,524,000

EQUIPMENT PURCHASES

Mr. **Lehman**. Would you provide a breakdown of equipment purchases for fiscal years 1989, 1990, 1991, similar to the list contained on pages 253 and 254 of last year's hearing record?

[The information follows:]

Equipment purchases

	Amount
Fiscal year 1989:	
Office Equipment	$12,163
Computer Equipment	39,529
Replace Horizon Telephone Switch	23,067
Replace Lighted Buoys	61,500
Replace Distance Meter	13,097
Replace Bucket Truck with Outriggers	36,599

Replace Grader	97,781
Replace Trucks	148,000
Racon Lights (2)	19,796
Replace SLS-31 Dump/Plow	54,386
Replace 1977 Front End Loader	62,161
Replace Squaring Shears	102,590
Boston Whaler	16,717
Oil Spill Contingency Plan	84,145
Other Equipment	6,338
Total	777,869
Fiscal year 1990	
Office Equipment	15,000
Computer Equipment	50,000
Repower Robinson Bay Tug	2,000,000
Replace Hydraulic Press	14,000
Total	2,079,000
Fiscal year 1991:	
Office Equipment	15,000
Computer Equipment	50,000
Lock Performance Recording System	20,000
Visibility Data Recording System	20,000
Replace Oil Boom Equipment	50,000
Replace Air Compressors at Locks	50,000
Replace Gatelifter Generators	150,000
PA System for Gatelifter	15,000
Total	370,000

OPENING AND CLOSING DATES OF NAVIGATION

Mr. **Lehman.** Would you update for the record the table on page 254 of last year's hearing record showing the actual opening and closing dates, including the 1989 season?

[The information follows:]

ACTUAL OPENING AND CLOSING DATES OF NAVIGATION

Year	Montreal Lake Ontario Section			Welland Canal Section		
	Opening	Closing	Days of navigation	Opening	Closing	Days of Navigation
1959	April 25	December 3	223	April 6	December 15	254
1960	April 18	December 3	230	April 1	December 16	260
1961	April 15	December 7	237	April 1	December 16	260
1962	April 15	December 7	237	April 1	December 16	260
1963	April 15	December 13	243	April 1	December 18	262
1964	April 8	December 7	244	March 30	December 15	261
1965	April 8	December 17	254	April 1	December 16	260
1966	April 1	December 15	259	April 4	December 16	257
1967	April 7	December 16	254	April 1	December 16	260
1968	April 8	December 14	251	April 1	December 22	266
1969	April 7	December 15	253	April 1	December 22	266
1970	April 4	December 18	259	April 1	December 30	274
1971	April 14	December 20	251	March 29	January 8	286
1972	April 12	December 23	256	March 29	December 16	263
1973	March 28	December 22	270	March 28	January 4	283
1974	March 26	December 18	268	March 29	January 18	296
1975	March 25	December 21	272	March 25	December 31	282
1976	April 3	December 24	266	April 1	January 3	278
1977	April 4	December 26	267	April 4	December 31	272
1978	April 3	December 22	264	March 28	December 31	279
1979	April 2	December 22	265	March 28	December 29	277
1980	March 24	December 19	271	March 24	December 31	283

ACTUAL OPENING AND CLOSING DATES OF NAVIGATION—Continued

Year	Montreal Lake Ontario Section			Welland Canal Section		
	Opening	Closing	Days of navigation	Opening	Closing	Days of Navigation
1981	March 25	December 20	271	March 25	December 27	278
1982	April 5	December 21	261	April 5	December 23	263
1983	March 31	December 19	264	April 5	December 27	267
1984	April 2	January 2	276	March 28	January 1	280
1985	April 1	December 30	274	April 1	December 30	274
1986	April 3	December 27	269	April 3	December 26	268
1987	March 31	December 26	271	April 1	December 28	272
1988	March 29	December 23	270	March 30	December 25	271
1989	March 30	December 23	269	March 31	December 23	268

TONNAGE

Mr. LEHMAN. Please update for the record the information on Seaway tonnage included on page 255 of last year's hearing record.

[The information follows:]

TONNAGE BY CALENDAR YEAR

[In millions of metric tons]

	Actual		Forecast	
	1988	1989	1990	1991
Grain	15.47	11.47	14.78	14.97
Coal	0.76	0.80	0.78	0.79
Iron ore	10.77	11.16	10.51	10.65
General	4.60	4.44	4.72	4.79
All other	8.95	9.20	9.30	9.41
Total	40.55	37.07	40.09	40.61

ESTIMATED FUTURE REVENUES

Mr. LEHMAN. Also, please update the information on your estimated future revenues, similar to that included on page 255 of last year's hearing record.

[The information follows:]

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

[In millions of dollars]

	Fiscal year—			
	1990	1991	1992	1993
Estimated future revenues and expenses:				
Seaway toll revenue	10.2	10.5	10.6	10.8
Other revenue	1.4	1.4	1.6	1.6
Total revenue	11.6	11.9	12.2	12.4
Operating expenses	9.9	10.2	10.7	11.1
Replacements and Improvements	2.9	1.9	2.1	2.3

JUSTIFICATIONS

REVENUE FROM NON-FEDERAL SOURCES

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. I have no further questions, Mr. Chairman.

Mr. LEHMAN. Turn to the justifications.

On page 2, you estimate $1,400,000 in revenue from non-Federal sources. What is the basis?

Mr. EMERY. $869,000,000 on interest on our investments in minority bank deposits. $379,000 for concession operation. $67,000 for rental of administration building. $85,000 for miscellaneous.

PERSONNEL BENEFITS

Mr. LEHMAN. On page 6, you show civilian personnel benefits increasing $222,000, or more than 15 percent. How is this determined?

Mr. EMERY. Increase in benefits of $222,000 or 15 percent is due to higher Federal Employee Retirement System costs as new hires come under the new retirement system and matching thrift savings, $74,000 and health insurance costs increases, $75,000 for GS employees and $73,000 for wage board health insurance cost.

ROBINSON BAY TUGBOAT

Mr. LEHMAN. Last year we provided $2,000,000 to repower the tugboat, *Robinson Bay*. What is the status?

Mr. EMERY. We have opening of bids on March 6th, March 23rd, and two on March 9th for all of the contracts to be awarded. We are working with the consultant Blancke Marine. So, we should know in a couple of weeks whether we are on target with those projections. Hopefully, they are going to come in satisfactory.

LAND AND STRUCTURE REQUESTS

Mr. LEHMAN. Why you are requesting an increase of $679,000, or about 80 percent, for land and structures.

Mr. EMERY. $679,000?

Mr. LEHMAN. Yes.

Mr. COCCI. In 1990, the equipment consumed the whole capital budget. As a result of that, we had to defer some projects in the area of lands and structures. That increase reflects bringing that back on stream consistent with our updated five-year capital plan.

OTHER SERVICES

Mr. LEHMAN. Would you provide for the record a table, similar to the one on pages 257 and 258 of last year's hearing record, including an update of your 1990 "other services" and your estimate for the fiscal year 1991?

[The information follows:]

ESTIMATED OTHER SERVICES

	1990	1991
SLSA tolls collections	$80,000	$85,000
Working capital fund	101,000	105,000
Training	25,000	26,000

ESTIMATED OTHER SERVICES—Continued

	1990	1991
Hazardous waste and trash removal	31,000	32,000
Maintenance service contracts	42,000	44,000
Engineering and miscellaneous studies	52,000	105,000
Piers	40,000	42,000
Automated information system	60,000	250,000
Marketing	36,000	38,000
Sewage sampling	23,000	25,000
Structural evaluation of lock walls	400,000	170,000
Monitor lock wall movement	250,000	
Public awareness of Seaway System	125,000	130,000
Other	66,000	94,000
Total	1,331,000	1,146,000

EMPLOYMENT

Mr. LEHMAN. How many current employees do you have?

Mr. EMERY. A hundred and seventy.

Mr. LEHMAN. Please elaborate for the record on your fiscal year 1990 decrease of five permanent positions and your projected increase in full-time equivalent employment of 12 work years.

[The information follows:]

The decrease in five permanent positions in Fiscal Year 1990 adjusts the number of full-time permanent positions to a level more consistent with our planned use of full-time permanent positions. Our full-time equivalent level in Fiscal Year 1989 was below the planned level of use because of difficulty in recruiting personnel with special skills into both full-time permanent and other than full-time permanent positions. In Fiscal Year 1990, the level will rise because we are in the process of filling those positions.

Mr. LEHMAN. Would you provide for the record your estimated end-of-year employment for fiscal years 1990 and 1991?

[The justification follows:]

Our estimated end-of-year full-time permanent employment for fiscal years 1990 and 1991 is 170 in 1990 and 170 in 1991.

COMPARATIVE BREAKDOWN OF MAJOR PROGRAMS

Mr. LEHMAN. You are requesting a $12,149,000 program level. However, your justification provides no breakdown of this amount among your various activities. Please provide a comparative breakdown of the costs for your major programs, such as lock operations, marine operations, maintenance, replacements and improvements, and administrative expenses for fiscal years 1989, 1990, 1991, similar to that included on page 258 of last year's hearing record. Please, also provide an explanation of any changes of over 4 percent between fiscal year 1990 and fiscal year 1991.

[The information follows:]

MAJOR PROGRAM COMPARATIVE BREAKDOWN

	Fiscal year—		
	1989 actual	1990 estimate	1991 estiamte
Locks	$1,200	$1,350	$1,403
Marine	500	590	613
Maintenance and engineering	2,827	2,990	3,118
Operating support services, general expenses and development	2,700	2,840	2,953
Replacements and improvements	2,000	2,920	1,890
Administrative expenses	1,900	2,085	2,172
Total obligations	11,127	12,775	12,149

POSITIONS BY ACTIVITY

Mr. LEHMAN. Please also provide a breakdown of positions by activity, as well as any workload data that you have for each major activity.

[The information follows:]

Locks—lock operations, vessel traffic control	47
Marine—navigation aids, channel dredging and maintenance, tugboat and other floating equipment services	10
Maintenance and engineering—maintain lock structures, equipment, roads, dikes, floating plant, bridges, buildings and grounds	61
Operating support services, general expenses and development—trade and traffic development, supply, public information, and other support functions	22
Administrative—Executive management, finance, legal, civil rights, procurement and personnel administration	39
Total	179

AUTO SHOP REQUEST

Mr. LEHMAN. On page 12, how much are you requesting for the construction of an auto shop, and why do you believe this is essential?

Mr. EMERY. This will upgrade the shop facilities, $349,000. The Corporation will construct the shop, eliminating the air quality and noise pollution problems for the maintenance building.

The old auto shop will be converted to navigation aids——

Mr. LEHMAN. Why do you need an auto shop?

Mr. EMERY. For all of the vehicles. We have about 35 vehicles which we do our own maintenance on.

TOLL REBATE PROGRAM

Mr. LEHMAN. As we discussed, the Water Resources legislation requests the rebate of the U.S. portion of tolls paid by commercial vessels using the Seaway. An appropriation of $10.789 million is requested for this purpose. Would you explain how this amount was determined?

Mr. EMERY. $10.528 million is the toll revenue projection. $261,000 is the Treasury Department's expense to rebate.

Mr. LEHMAN. Please provide for the record the number of Treasury Department personnel who are actually working on administering this program and indicate whether they are devoting full-time to the program.

[The information follows:]

There is actually a very large number of Treasury employees involved in administering the St. Lawrence Seaway Toll Rebate Program. Headquarters Accounting and Budget personnel prepare the Toll Rebate Program budget documents, including budget requests and apportionments; record the collection and disbursement accounting transactions; and authorize the payment of rebates. Employees in the Regional Financial Centers actually issue the rebate payments, and additional headquarters personnel are involved in reconciling the rebate payments made. None of these employees are devoted to the program full-time, FMS estimates that their combined efforts equal the time of five FTE positions.

ACTUAL TOLL REBATES

Mr. LEHMAN. Please also provide the actual rebates paid for fiscal years 1988 and 1989, and the estimates for fiscal years 1990 and 1991, compared with the appropriations (less administrative costs) for each year.

[The information follows:]

The fiscal years 1988 and 1989 actual and fiscal years 1990 and 1991 estimated toll rebate amounts compared the appropriations (less administrative costs) for each year are as follows:

	Appropriation	Estimate	Actual
Fiscal years:			
1988	$9,595,000		$8,984,656.61
1989	11,250,343		11,009,952.82
1990	10,127,227	$10,200,000	
1991	*10,528,000	10,528,000	

*Amount requested in the budget.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman.

What is the rationale behind our rebating the tolls, just to refresh my recollection on why we are rebating these tolls? We are looking around for sources of revenue here.

Mr. EMERY. Yes. When the Harbor Maintenance Trust Fund collects 0.04 percent on all exports and imports in all of the ports.

The Lakes Ports, through their representatives, saw the opportunity to get the tolls off at that point. They felt that this would make them more competitive and put them on equal footing with the other ports. That was a portion of what was agreed upon by Congress. The Administration, under President Reagan was not in favor at that time, but it would have jeopardized the whole bill, so it was passed.

There has been legislation sent up for two years in a row to put us back on the toll basis, but it has gone nowhere. And this year there is not going to be any effort to do that. But it was strictly to enable the Lake Ports to be on a competitive footing with the other coastal ports.

Mr. COUGHLIN. Thank you, Mr. Chairman.

AUTO SHOP REQUEST

Mr. LEHMAN. How much does it cost to operate an auto repair shop?

Mr. **Emery**. OSHA has come in and said that under the standards of automotive repair facilities, in an area where there are other maintenance projects and workers, it is not satisfactory to have repair done in that area. It is cheaper for us to build a new facility, which would be a very—Steve, what type of construction do we call it? A metal building.

Mr. **Hung**. Yes. It will be a metal prefab.

Mr. **Lehman**. How much does it cost you to operate this maintenance facility?

Mr. **Emery**. Well, there are 12 mechanics. We have vehicles. We have heavy equipment cranes, bulldozers. All of the mechanical equipment. We call it automotive. But it really takes care of our heavy equipment. All of the construction equipment that we have for the lock operations.

We went out to bid for this. And the bids came in from the private sector far in excess of what we thought it would be. So, we are going to do it in-house.

Mr. **Lehman**. It just seems to me that if other Governmental agencies with 35 cars do not have their own——

Mr. **Emery**. Well, 35 vehicles are trucks and automobiles. There is how much heavy equipment, Steve?

Mr. **Hung**. We have two cranes, bulldozers——

Mr. **Lehman**. A bulldozer?

Mr. **Hung**. Snowplows, the whole thing.

Mr. **Lehman**. How many bulldozers?

Mr. **Hung**. I think we have two of those. Front end loaders.

Mr. **Lehman**. Twelve mechanics. It just seems to be a little top heavy for that. Maybe we will pursue that question. I am not trying to nitpick.

Mr. **Emery**. I understand.

Mr. **Cocci**. Well, you have to see the facility up there. Right now, we have an old facility that was probably built maybe in the early 1960's. It includes offices, lunch rooms. Here the people are repairing huge pieces of equipment with emissions right in the same building. From a health point of view, OSHA point of view, that is why it is a particular problem.

Mr. **Lehman**. I was not worried about the building. It was about 12 mechanics.

Mr. **Cocci**. We do not have 12 mechanics. Did we say 12 mechanics?

Mr. **Emery**. Yes.

Mr. **Cocci**. As far as actual mechanics people who are working on the trucks, I believe, there are two.

Mr. **Emery**. Twelve in the section, the maintenance section.

Mr. **Cocci**. Yes. Twelve in the section. But only two that would be working on trucks and what not. Yes.

Mr. **Lehman**. And the other ten people are working on trucks, bulldozers——

Mr. **Cocci**. They are operators. Every equipment operator——

Mr. **Emery**. There are people who operate as well as the repair force—I am sorry. I made that——

Mr. **Lehman**. My first conception was you had 35 cars and twelve mechanics.

Mr. **Emery**. No.

Mr. COCCI. No. Absolutely inaccurate.

Mr. EMERY. I meant 12 in the motor vehicle section. The motor vehicle operator and maintenance section.

Mr. LEHMAN. We will quit while we are ahead.

The subcommittee is adjourned.

TUESDAY, MARCH 13, 1990.

PANAMA CANAL COMMISSION

WITNESSES

ROBERT W. PAGE, CHAIRMAN, BOARD OF DIRECTORS, PANAMA CANAL COMMISSION

MICHAEL RHODE, JR., SECRETARY, PANAMA CANAL COMMISSION

RICHARD O. BURGOON, CHIEF FINANCIAL OFFICER, PANAMA CANAL COMMISSION

Mr. LEHMAN. Good morning. The Subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1991 budget request for the Panama Canal Commission. The principal witness today is Robert W. Page, Chairman of the Board of Directors. Mr. Page, we will be pleased to hear your statement at this time. You may read it or, if you prefer, you may summarize it, we will insert your statement in the record. We also shall insert your biography in the record.

STATEMENT OF CHAIRMAN OF THE BOARD

Mr. PAGE. Thank you, Mr. Chairman. It is a pleasure to be here today. We have been looking forward to meeting with you to bring the committee up to date on some of the recent events that have transpired at the Panama Canal. If I might, I would like to submit my entire written statement for the record, and summarize my statement as this time. I shall be as brief as possible.

For the record I am Robert W. Page, the Chairman of the Board of the Panama Canal Commission. I hold this position in addition to my duties as Assistant Secretary of the Army. I was appointed to this position as you know, by the Secretary of Defense.

Participating with me, today, is Mr. Richard Burgoon. Chief Financial Officer of the Commission. He will be answering most of the questions that you may have regarding the budget. Also participating with me is my assistant, Mr. Michael Rhode Jr., who is also Secretary of the Commission.

OPERATING ENVIRONMENT

First of all, I would like to report on some of the significant events that have happened recently at the Panama Canal. This past year marked the completion of the Panama Canal Commission's first decade of service to the international shipping community under the terms of the 1977 Treaty with Panama.

When my predecessor testified before this subcommittee last year, the actions that had been taken by the Noriega regime and resulting impact upon the morale and safety of our work force were some of the management's greatest concerns. At one point, the President was compelled to order additional troops to Panama to protect the lives of U.S. citizens and to assure the rights of the United States under the terms of the treaty.

The situation continued to decline until United States military action was taken in the form of Operation Just Cause and which we felt, and I think the world has now recognized, was essential in order to protect American lives, to restore democracy to the Republic of Panama and last, but not least, to maintain the security of the Canal.

The events that began last December could not have been more dramatic. I am sure that you and the rest of the committee members have followed the events very closely. The military operations and the concurrent installation of the democratically elected Endara Government have had a beneficial impact on the operation of the waterway and, in particular, the Canal work force.

In that regard, the new Panamanian Government has revoked all Noriega regime restrictions and sanctions against the Commission's Panamanian employees, thus permitting such employees to exercise the same rights and privileges available to the rest of their countrymen.

BOARD ACTIVITIES

Regarding Board activities, we met in Panama recently and it was the first time since October 1987 that the Board has met there. The four Panamanian members who were previously on the Board were replaced by four new appointees by the Endara Government. While the Panamanian members have not, at this point been formally appointed by the President, their names have been forwarded to the White House for action. Those four members met with us as observers, and we had a very amicable and, I think, gainful Board meeting.

The Board approved the development of a long-range plan that would put into effect very stringent and detailed operating plans for transitioning the Canal to the Panamanian Government in the year 2000. In doing that, we have set forth three major committees which are comprised of Panamanian and U.S. Board members and senior operating personnel of the Panama Canal Commission. These committees will meet prior to each Board meeting and will address such issues as personnel, personnel benefits, traffic and tolls forecasts, operating budgets, capital budgets and operating and maintenance needs. The purpose is to have a well operating Canal with minimum overhead to function as it should; to have in place the ascendancy of trained Panamanian and some U.S. personnel to assure a smooth transfer of the Canel to Panama on December 31, 1999.

PANAMA'S NOMINEE FOR ADMINISTRATOR

We also have received formal notification from President Endara of the name of his government's nominee for Panamanian Administrator. We have in place now an Acting Administrator, Mr. Fernando Manfredo, the deputy Administrator since October 1979, whom I am sure you all know or know of and many have previously met. He was unable to be here today. Mr. Burgoon, as I stated earlier, will be testifying in his place today.

Regarding Panama's nominee for Administrator, his name will be forwarded to the White House shortly for the President's approval after the necessary clearances required for his position have been processed.

Mr. LEHMAN. Has that name been publicized yet?

Mr. PAGE. Yes, it has.

Mr. LEHMAN. For the record, would you supply it?

Mr. PAGE Yes. We would be pleased to provide the resume and background of Panama's nominee. His name is Mr. Gilberto Guardia. He is a very highly respected Panamanian engineer who is currently president and general manager of an architectual and engineering firm in Panama.

TOLL RATE INCREASE

In the Chairman's Report to the Subcommittee last year, we forecasted a need for a toll rate increase at the start of fiscal year 1990. That forecast has proved accurate and we will have a chance today to see how that 9.8 percent is affecting our present budget and new forecast.

TEMPORARY 20 PERCENT SURCHARGE ON MARINE SERVICES

At the January meeting of the Board of Directors, we looked at the problem being faced by the Commission in trying to absorb a variety of unbudgeted extraordinary costs which are being incurred as a direct result of the actions and political decisions of the Noriega regime over the past two years. The Board concluded that in order to sustain quality transit service, the best option for the Canal and its customers would be to recover these extraordinary costs through a temporary 20 percent surcharge on tariff rates for tug and line handling services. I believe the total to be received is $10,000,000. That will be explained to you further as we move through our testimony.

RECOGNITION OF CANAL EMPLOYEES

I would like to take this time to express my gratitude for the loyalty and the commitment of all Panama Canal Commission employees. I was there on two occasions just prior to Operation Just Cause and just afterward. The way these people continued to work under the most difficult of circumstances kept the Canal open. It was closed less than one day for the first time in the Canal's history. The traffic backlog that resulted was quickly worked off and the Canal transit operations are now back to normal. We ask that this Committee also take recognition of that in gratitude to these employees for their dedication and their work.

CONCLUSION

Mr. Chairman, in conclusion, I would like to reiterate my appreciation to you and this Committee for the opportunity to appear here today. If it meets with your approval, I would like to recommend that Mr. Burgoon be allowed to address the budget programs from Mr. Manfredo's statement, our Acting Administrator, and then all three of us will be available for any of your questions. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Page follows:]

OPENING STATEMENT
OF THE
CHAIRMAN OF THE BOARD

INTRODUCTION

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM ROBERT W. PAGE, CHAIRMAN OF THE BOARD OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO PRESENT OUR FISCAL YEAR 1991 BUDGET PROGRAMS AND ALSO TO REPORT ON THE MORE SIGNIFICANT DEVELOPMENTS AND ACCOMPLISHMENTS PERTAINING TO THE PANAMA CANAL ENTERPRISE. PARTICIPATING WITH ME ARE MY ASSISTANT, MR. MICHAEL RHODE, SECRETARY OF THE COMMISSION AND MR. RICHARD O. BURGOON, THE COMMISSION'S CHIEF FINANCIAL OFFICER, WHO WILL ADDRESS THE BUDGET PROGRAMS BY READING EXCERPTS FROM THE STATEMENT OF MR. FERNANDO MANFREDO, THE ACTING ADMINISTRATOR OF THE COMMISSION, WHO CANNOT BE PRESENT TODAY. MR. MANFREDO'S COMPLETE STATEMENT WILL BE SUBMITTED FOR THE RECORD.

AT THE OUTSET, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPRESS MY APPRECIATION TO THIS SUBCOMMITTEE FOR THE VALUABLE ASSISTANCE IT HAS PROVIDED OVER THE YEARS TO THE PANAMA CANAL COMMISSION.

OPERATING ENVIRONMENT

THIS PAST YEAR MARKED THE COMPLETION OF THE PANAMA CANAL COMMISSION'S FIRST DECADE OF SERVICE TO THE INTERNATIONAL SHIPPING COMMUNITY UNDER THE TERMS OF THE 1977 TREATY WITH PANAMA. THE YEAR ALSO SIGNIFIED THE BEGINNING OF THE FINAL TEN YEARS THE CANAL WILL BE OPERATED UNDER THE STEWARDSHIP OF THE UNITED STATES.

WHEN MY PREDECESSOR TESTIFIED BEFORE THIS SUBCOMMITTEE LAST YEAR, THE ACTIONS THAT HAD BEEN TAKEN BY THE NORIEGA REGIME IN RESPONSE TO THE UNITED STATES-IMPOSED ECONOMIC SANCTIONS AND THEIR RESULTING IMPACT UPON THE MORALE AND WELL-BEING OF OUR WORK FORCE WAS CANAL MANAGEMENT'S GREATEST CONCERN. UNDER THE SANCTIONS, MONIES WITHHELD FROM PANAMANIAN EMPLOYEES OF THE COMMISSION FOR INCOME AND EDUCATIONAL TAXES WERE NOT PAID TO THE LOCAL AUTHORITIES. RATHER, SUCH MONIES WERE DEPOSITED INTO AN ESCROW ACCOUNT ESTABLISHED FOR THE GOVERNMENT OF PANAMA IN THE FEDERAL RESERVE BANK OF NEW YORK. IN RETALIATION, THE NORIEGA REGIME CHOSE TO TAKE ILLEGAL ACTIONS AGAINST MANY OF THE COMMISSION'S PANAMANIAN EMPLOYEES, WHICH INCLUDED SEIZING THE PRIVATE PROPERTY AND BANK ACCOUNTS OF CERTAIN HIGHER LEVEL EMPLOYEES; DENIAL OF VEHICLE LICENSING TO ALL COMMISSION PANAMANIAN EMPLOYEES, AND WITHDRAWAL OF THEIR RIGHTS AS CITIZENS TO CONDUCT ROUTINE BUSINESS TRANSACTIONS WITHIN PANAMA AND TO ENTER OR LEAVE THE COUNTRY.

AS THE SITUATION CONTINUED TO DETERIORATE DURING THE YEAR, THE SAFETY AND WELL-BEING OF OUR WORK FORCE AND THEIR FAMILIES BECAME OF PARAMOUNT CONCERN. INCIDENTS OF AUTOMOBILE THEFT AND BURGLARIES, ESPECIALLY IN CANAL HOUSING AREAS, AND HARASSMENT BY THE PANAMA DEFENSE FORCES CONTINUED TO ESCALATE AT AN UNPRECEDENTED RATE. AT ONE POINT DURING THE CRISIS, THE PRESIDENT WAS COMPELLED TO ORDER ADDITIONAL TROOPS TO PANAMA TO PROTECT THE LIVES OF U.S. CITIZENS AND INSURE THE RIGHTS OF THE UNITED STATES UNDER THE TERMS OF THE TREATY. THE SITUATION, AS YOU KNOW, CONTINUED TO DECLINE TO SUCH A LEVEL THAT MILITARY ACTION IN THE FORM OF "OPERATION JUST CAUSE" WAS

DETERMINED ESSENTIAL TO PROTECT AMERICAN LIVES AND TO RESTORE DEMOCRACY WITHIN THE REPUBLIC OF PANAMA.

GENTLEMEN, THE EVENTS THAT BEGAN THIS PAST DECEMBER COULD NOT HAVE BEEN MORE DRAMATIC. MILITARY OPERATIONS, WHICH THE UNITED STATES INITIATED IN PANAMA, AND THE CONCURRENT INSTALLATION OF THE DEMOCRATICALLY ELECTED ENDARA GOVERNMENT, HAVE HAD A SIGNIFICANT IMPACT ON THE OPERATION OF THE WATERWAY, AND IN PARTICULAR ON THE CANAL WORK FORCE.

IN THAT REGARD, THE NEW PANAMANIAN GOVERNMENT HAS REVOKED ALL NORIEGA REGIME SANCTIONS AGAINST THE COMMISSION'S PANAMANIAN EMPLOYEES. PANAMANIAN EMPLOYEES CAN NOW FILE INCOME TAX RETURNS WITHOUT INTEREST OR PENALTY CHARGES, AND THUS ARE ABLE TO OBTAIN NATIONAL TAX CERTIFICATES. THIS CERTIFICATE PERMITS THEM TO CONDUCT BUSINESS IN PANAMA, TRAVEL OUTSIDE THE COUNTRY, AND OBTAIN VEHICLE LICENSE PLATES. SINCE "OPERATION JUST CAUSE," THE PANAMANIAN GOVERNMENT IS PLANNING TO RESTORE PUBLIC SERVICES IN CANAL AREAS, WHICH INCLUDE POLICE PROTECTION, REPAIRS TO ROAD AND STREET LIGHTS, AND RENEWAL OF PUBLIC HEALTH MEASURES (SUCH AS COLLECTION OF GARBAGE) TO PREVIOUS LEVELS.

THE TIME AND EFFORT THE COMMISSION HAS DEVOTED TO THESE PROBLEMS OVER THE LAST SEVERAL YEARS, AND THEIR FINANCIAL IMPACT, HAVE BEEN SUBSTANTIAL. CONSEQUENTLY, THEIR SUCCESSFUL RESOLUTION WILL HAVE A BENEFICIAL IMPACT UPON THE OPERATION OF THE WATERWAY.

AS SIGNIFICANT AS ALL OF THE ABOVE ACTIONS HAVE BEEN, I BELIEVE AN IMPORTANT CHANGE THAT HAS BEEN BROUGHT ABOUT BY "OPERATION JUST CAUSE" HAS BEEN THE POSITIVE UPSWING IN THE MORALE OF THE COMMISSION'S WORK FORCE, BOTH PANAMANIAN AND U.S. CITIZENS

ALIKE. NEVERTHELESS, THERE STILL REMAINS A TREMENDOUS AMOUNT OF WORK TO BE DONE TO NORMALIZE THE POLITICAL SITUATION WITHIN PANAMA AND TO RESTORE GOVERNMENT SERVICES TO IMPROVE THE ENVIRONMENT UNDER WHICH THE CANAL OPERATES.

BOARD ACTIVITIES

THE RECENT CHANGES IN THE REPUBLIC OF PANAMA HAVE ALSO IMPACTED UPON THE ACTIVITIES OF THE PANAMA CANAL COMMISSION'S BOARD OF DIRECTORS. WHEN WE APPEARED BEFORE YOU LAST YEAR, WE REPORTED THAT OUR PANAMANIAN BOARD MEMBERS HAD NOT ATTENDED A BOARD MEETING SINCE JANUARY OF 1988. THIS TREND CONTINUED THROUGH FISCAL YEAR 1989 UP UNTIL THE BOARD'S MOST RECENT MEETING IN JANUARY OF THIS YEAR.

MR. CHAIRMAN, I AM PLEASED TO REPORT THAT THIS LAST MEETING WAS CONDUCTED IN THE REPUBLIC OF PANAMA, WHICH WAS THE FIRST SESSION TO TAKE PLACE ON THE ISTHMUS SINCE OCTOBER OF 1987. PRESENT AT THE MEETING, ALONG WITH MYSELF, WERE U.S. BOARD MEMBERS ANDREW GIBSON, WILLIAM WATKIN, WALTER SHEA AND ROBERT McMILLAN. ALSO PRESENT WERE RECENTLY NOMINATED PANAMANIAN MEMBERS CECILIA ALEGRE, JOAQUIN VALLARINO, JR., ALFREDO RAMIREZ AND LUIS ANDERSON, WHO WERE CALLED UPON BY PRESIDENT GUILLERMO ENDARA TO REPRESENT PANAMA AT THE SESSION AS OBSERVERS, PENDING THEIR FORMAL APPOINTMENT BY THE PRESIDENT OF THE UNITED STATES.

THE BOARD OF DIRECTORS ATTENDED TO ROUTINE MATTERS OF BUSINESS INCLUDING THE APPOINTMENT OF THE FIRST PANAMANIAN TO THE POSITION OF GENERAL SERVICES DIRECTOR, AND THE ACCEPTANCE OF THE NOMINATION OF TWO OF THE PROPOSED PANAMANIAN MEMBERS TO SERVE WITH THE CHAIRMAN AND TWO OTHER U.S. DIRECTORS ON THE FIVE-MEMBER EXECUTIVE COMMITTEE.

SIGNIFICANT TREATY EVENTS

ONE OF THE MORE SIGNIFICANT TREATY MILESTONES, WHICH OCCURRED ON JANUARY 1, 1990, WAS THE REQUIREMENT TO APPOINT A PANAMANIAN NATIONAL AS ADMINISTRATOR OF THE CANAL. IN THAT REGARD, THE TREATY CALLS FOR THE PRESIDENT OF THE UNITED STATES TO APPOINT THE INDIVIDUAL PROPOSED BY THE GOVERNMENT OF PANAMA TO THAT OFFICE; AND THE PANAMA CANAL ACT OF 1979 PROVIDES THAT THE CONGRESS GIVE ITS ADVICE AND CONSENT TO SUCH APPOINTMENT.

ALTHOUGH THE NORIEGA REGIME PROVIDED A NOMINEE EARLIER IN THE YEAR, THE UNITED STATES DID NOT TAKE ACTION ON THAT NOMINATION. HOWEVER, IN ORDER TO ASSURE THE CONTINUITY OF CANAL OPERATIONS AND TO COMPLY WITH THE TREATY, PRESIDENT BUSH ASKED MR. FERNANDO MANFREDO, THE DEPUTY ADMINISTRATOR SINCE OCTOBER 1979, TO STAY ON WITH THE AGENCY IN THE CAPACITY AS ACTING ADMINISTRATOR. MR. MANFREDO AGREED TO ACCEPT THIS INTERIM APPOINTMENT. THE ENDARA GOVERNMENT HAS ENDORSED THIS ACTION AND HAS ADVISED THE U.S. THAT AS SOON AS ITS SELECTION PROCESS IS COMPLETE, THE NAME OF ITS NOMINEE FOR ADMINISTRATOR WILL BE PRESENTED TO THE UNITED STATES FOR APPOINTMENT.

BECAUSE OF THE SIGNIFICANT CHANGE IN LEADERSHIP AND THE UNCERTAIN POLITICAL ENVIRONMENT SURROUNDING THE CANAL AT THE END OF 1989, IT WAS CONCLUDED THAT THE OFFICE OF ADMINISTRATOR SHOULD BE STRENGTHENED THROUGH THE ESTABLISHMENT OF TWO ACTING DEPUTY ADMINISTRATORS. CONSEQUENTLY, IN ORDER TO MORE FULLY SUPPORT MR. MANFREDO, MR. RAYMOND P. LAVERTY, THE COMMISSION'S DIRECTOR OF EXECUTIVE PLANNING, HAS BEEN APPOINTED ACTING DEPUTY ADMINISTRATOR

FOR OPERATIONS, AND MR. JOSEPH J. WOOD, THE COMMISSION'S DIRECTOR OF EXECUTIVE ADMINISTRATION, HAS BEEN NAMED ACTING DEPUTY ADMINISTRATOR FOR ADMINISTRATION.

TOLL-RATE INCREASE

IN THE CHAIRMAN'S REPORT TO THE SUBCOMMITTEE LAST YEAR, THERE WAS FORECAST A NEED FOR A TOLL-RATE INCREASE AT THE START OF FISCAL YEAR 1990. THAT FORECAST PROVED ACCURATE, AND THE PRESIDENT OF THE UNITED STATES APPROVED A 9.8 PERCENT TOLL-RATE INCREASE FOR THE PANAMA CANAL, EFFECTIVE OCTOBER 1, 1989. LOOKING AHEAD, IT IS ANTICIPATED THAT THIS TOLL-RATE INCREASE WILL ALLOW THE COMMISSION TO RECOVER ALL COSTS OF OPERATIONS AS REQUIRED BY LAW, AND OPERATE AS NEARLY AS POSSIBLE ON A BREAK-EVEN BASIS OVER THE NEXT SEVERAL YEARS.

BUDGET PROGRAMS

MR. CHAIRMAN, WHILE MR. BURGOON WILL ADDRESS IN MORE DETAIL THE COMMISSION'S BUDGET FOR FISCAL YEAR 1991, I WANT TO AFFIRM THAT THE PROGRAMS FOR THAT YEAR ARE ESSENTIAL AND ARE IN ACCORD WITH THOSE OF THE PRESIDENT.

RECOGNITION OF CANAL EMPLOYEES

AT THIS TIME I WOULD LIKE TO EXPRESS MY GRATITUDE FOR THE LOYALTY AND COMMITMENT OF ALL PANAMA CANAL COMMISSION EMPLOYEES. THIS PAST YEAR HAS BEEN ONE OF EXTREMELY TRYING CIRCUMSTANCES FOR ALL OF US INVOLVED WITH THE PANAMA CANAL ENTERPRISE. DESPITE THE PRESSURES BROUGHT TO BEAR UPON OUR EMPLOYEES, THEIR DEDICATION HAS

RESULTED IN ANOTHER YEAR OF SAFE AND EFFICIENT SERVICE TO THE INTERNATIONAL SHIPPING COMMUNITY. THIS DEDICATION AND LOYALTY WERE NEVER MORE APPARENT THAN WHEN THEY REMAINED AT THEIR WORK SITES AROUND-THE-CLOCK FOR ALMOST SEVEN DAYS DURING THE FIRST WEEK OF COMBAT OPERATIONS IN PANAMA.

CONCLUSION

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED REMARKS. I WOULD LIKE TO REITERATE MY APPRECIATION TO YOU AND THIS COMMITTEE FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. IF IT MEETS WITH YOUR APPROVAL, I RECOMMEND THAT MR. BURGOON BE ALLOWED TO PRESENT HIS STATEMENT, AND THEN ALL OF US WILL BE AVAILABLE FOR QUESTIONS.

ROBERT W. PAGE
Chairman of the Board
Panama Canal Commission

Robert W. Page assumed the duties of Chairman of the Board, Panama Canal Commission, in June of 1989 in addition to his duties as Assistant Secretary of the Army (Civil Works).

He was nominated by President Reagan to be Assistant Secretary of the Army (Civil Works) on 27 October 1987, and confirmed by the U.S. Senate on 18 December. His principal responsibility is the overall supervision of the functions of the Department of the Army relating to the Army Civil Works program. He directs the Army Corps of Engineers in the execution of this program.

He is also responsible for administration of Arlington and U.S. Soldiers and Airmen's Home National Cemeteries, and foreign activities of the Corps of Engineers, except those exclusively in support of U.S. military forces overseas.

He was born in Dallas, Texas, on 22 January 1927. During World War II, he served in the U.S. Navy in the Pacific Theater. In 1950, he graduated from Texas A&M with a bachelors degree in architectural engineering.

Following service as an agent with the U.S. Central Intelligence Agency, he spent the early part of his engineering career in the Middle East. At American University of Beirut, Lebanon, he taught engineering and directed a campus and hospital expansion program. He later served as project manager for Aramco, as assistant general manager for Bechtel Corp., as vice president of construction with Rockefeller Family & Associates, and as vice president with Northrup Corp., with responsibility for construction in Iran, Saudi Arabia, and other Middle East countries.

Prior to his nomination, he was president and chief executive officer for Page Mickel Company of Houston, Texas. He previously had served as chairman and chief executive officer of Kellogg-Rust, Inc., the world's largest engineer/contractor. He also had been president and CEO of the M.W. Kellogg, Rust Engineering, and George A. Fuller companies.

From 1984 until his confirmation, Mr. Page served on President Reagan's Export Council. He also has served as chairman of the International Engineering and Construction Council, and as the first chairman of the Turkish-U.S. Business Council.

In 1985, he received the Engineering News Record Man of the Year Award (Honoree) for his leadership role in the fight to maintain international competitiveness for the U.S. engineering and construction industries.

He is affiliated with Tau Beta Phi, an engineering scholastic society, the American Society of Civil Engineers, and the Society of American Military Engineers.

Mr. Page is married to the former Nancy Ann Eaton. The Pages have four grown children and reside in Washington, D. C.

GILBERTO GUARDIA FABREGA
NOMINEE FOR ADMINISTRATOR - PANAMA CANAL COMMISSION

CURRICULUM VITAE

PLACE & DATE OF BIRTH:	Panama City, Republic of Panama February 13, 1930
MARITAL STATUS:	Married - Teresita
CHILDREN:	Three
EDUCATION:	University of Santa Clara, California B.S. in Civil Engineering, 1950

MAIN ENDEAVOR:

President and General Manager of Diaz y Guardia, S. A., an architectural and engineering firm engaged in civil works and steel manufacturing.

PROFESSIONAL LICENSES:

Professional Engineer issued by the Technical Architecture and Engineering Board; Panama, Republic of Panama (1951).

Professional Engineer issued by the former Canal Zone Board of Professional Architects and Engineers; Republic of Panama (1959).

Professional Engineer, Office of the Director of the Registry of Professional Engineers of the State of Florida, U.S.A. (1979).

OTHER ACTIVITIES:

Member of the Boards of Directors of the following organizations:
- Banque Nationale de Paris (Panama)
- Dadeland Bancshares; Miami, Florida
- Dadeland Bank; Miami, Florida
- World Business Council; Washington, D. C.
- Latin American Institute of Advanced Studies (ILDEA); Panama, R. P.

Former Director of:
- Panama National Council of Private Enterprises
- Panama Chamber of Commerce, Industries, and Agriculture
- Panama Association of Business Executives
- Panama Chamber of Construction
- Rotary Club, Southern Chapter

Member of the following organizations:
- Panama Society of Engineers and Architects
- Panama Chamber of Construction
- Panama Association of Business Executives
- Rotary Club, Southern Chapter
- Fellow, American Society of Civil Engineers
- American Concrete Institute
- American Society of Professional Engineers

STATEMENT OF ACTING ADMINISTRATOR

Mr. LEHMAN. If you could summarize Mr. Manfredo's statement for the record, we can expedite this hearing. We will try not to bring you back this afternoon.

Mr. PAGE. Thank you, Mr. Chairman.

Mr. BURGOON. Mr. Chairman, members of the Subcommittee, I am Richard Burgoon, Chief Financial Officer of the Panama Canal Commission. At this time, and with your permission, I would like to summarize the Acting Administrator, Mr. Manfredo's prepared statement while submitting the full text for the record.

FISCAL YEAR 1989 OVERVIEW

I would like to give you a brief overview of fiscal year 1989, which was a very demanding year. It presented one of the most serious financial challenges faced by the Commission, since the loss of Alaskan North Slope oil traffic in 1983, when we lost $50 million in one swoop. Revenues were under budget in fiscal year 1989 by $29 million with annual tolls falling short of target by $15 million. The decline in tolls was attributable primarily to reduced transits among grain, petroleum and automobile carriers, some of the major products that go through the Canal.

In response to the declining resources, the Commission instituted during the year a series of cost-saving measures designed to bring costs in line with lower projected revenues and, thereby, mitigate the size of the potential fiscal year loss. The actions taken were the institution of a hiring freeze, the application of a reduction in the permanent employees which carries over into future years; the restructuring of certain Commission functions; and deferral of certain non-critical maintenance projects that did not impact on the safe and efficient transit of vessels.

As a result of taking these cost-saving measures early in the fiscal year, the Commission was able to reduce expenses, thus holding the year's operating loss to $7,700,000 which is quite an achievement in view of a $29 million loss in revenue. This brought the cumulative loss at the close of fiscal year 1989, including losses from previous years, to $10 million. As I will discuss shortly, we anticipate recovering these amounts over the next two years.

With respect to this loss in 1989, I would like to point out that the Commission incurred some significant unbudgeted costs during the year due to the political crisis in the Republic of Panama. For example, the Commission was forced to contract for shuttle bus services, and provide transportation allowances to Panamanian employees to enable them to travel between their homes and work sites since they were unable to obtain license plates for their privately-owned vehicles because of harassment by the Noriega regime. These costs amounted to approximately $4,600,000. We had to absorb these coats and they are reflected in the $7,700,000 loss for the year.

FISCAL YEAR 1990 OUTLOOK

The Commission's traffic and toll projections for this year reflect essentially no growth over the 1989 levels. However, as Mr. Page just indicated, a 9.8 percent toll-rate increase became effective October 1, 1989 and is expected to generate $32 million of additional revenue for the year. With the toll increase, the Commission is currently projecting fiscal year 1990 tolls to be $360 million as compared to the initial estimate of $374 million. In other words, a decline because of the drop-off in traffic.

As a result of across-the-board cost-saving measures taken in fiscal year 1989, which have also carried forward into the current year, Commission expenses are to be correspondingly lower and in line with the lower tolls being projected. Taking everything into account, including the temporary surcharge referred to by Mr. Page for recovery of the unbudgeted political and invasion related costs, we still anticipate the Canal operations in 1990 will recover all operating and capital costs for the year, plus provide $6,200,000 contribution towards the $10 million cumulative loss that I just referred to.

FISCAL YEAR 1991 OPERATIONS

Turning to the budget year, we are estimating a modest increase in Canal tolls revenue of approximately $6 million which is only a 1.8 percent increase in traffic. The Commission is planning to fully recover all its operating and capital costs for the year as well as recover the remaining portion of the cumulative loss from the prior years. Because of the flat tolls outlook for 1991, we are not projecting any growth in Commission operating expenses other than that caused by inflation.

CONGRESSIONAL LIMITATIONS

For those items under congressional limitations, the Commission is requesting a total of $52,000 for official reception and representation expenses, of which not more than $12,000 may be available to the supervisory board of the Commission, not more than $6,000 may be available for such expenses of the Secretary of the Commission, and not more than $34,000 may be available to the Administrator of the Commission.

With respect to administrative expenses, the Revolving Fund legislation limits such expenses to the amounts provided annually in appropriation acts. As provided in the President's Budget for fiscal year 1991, the Commission projects a requirement of $48,900,000 for this category of expense, which is slightly below the limitation allowed for fiscal year 1990.

CAPITAL REQUIREMENTS

Turning to the capital program for 1991, we are projecting a requirement of $30 million for new capital projects. As in past years, the greatest portion of the program is devoted to essential transit facilities and equipment. Major items in the program include replacement of a tugboat, continued upgrading of the fire protection system at the locks and replacement of certain floating equipment.

CONCLUSION

As a final remark, Mr. Manfredo points out that while the Commission has experienced several unusual and demanding years resulting principally from the political difficulties within the Republic of Panama, the Canal continued to provide safe and efficient service to all Canal customers. This fact is due primarily to the dedication and professionalism of Commission employees, U.S., Panamanian and third country nationals alike, many of whom have been directly impacted by these events. He joins Mr. Page in commending the Commission work force for its outstanding and dedicated performance.

Mr. Chairman, that concludes my summary of Mr. Manfredo's prepared remarks. I will be pleased to join Mr. Page and Mr. Rhode in responding to any questions the Committee may have. Thank you.

[The prepared statement of Mr. Manfredo follows:]

OPENING STATEMENT
OF
MR. FERNANDO MANFREDO

INTRODUCTION

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM FERNANDO MANFREDO, ACTING ADMINISTRATOR OF THE PANAMA CANAL COMMISSION. I AM PLEASED TO SUBMIT THIS STATEMENT FOR THE RECORD WHICH PRESENTS THE BUDGET PROGRAMS FOR FISCAL YEAR 1991 OF THE PANAMA CANAL COMMISSION, THE AGENCY RESPONSIBLE FOR THE OPERATION OF THE PANAMA CANAL.

MILESTONE

I AM PROUD TO BE THE FIRST PANAMANIAN NATIONAL TO OCCUPY THE OFFICE OF ADMINISTRATOR OF THE PANAMA CANAL COMMISSION, A U.S. GOVERNMENT AGENCY, EVEN THOUGH IN AN ACTING CAPACITY.

OVERVIEW FISCAL YEAR 1989

FISCAL YEAR 1989 PRESENTED ONE OF THE MOST SERIOUS FINANCIAL CHALLENGES FACED BY THE COMMISSION SINCE THE LOSS OF ALASKAN NORTH SLOPE OIL TRAFFIC IN FISCAL YEAR 1983. FISCAL YEAR 1989 REVENUES WERE UNDER THE BUDGET BY ALMOST $29 MILLION, WITH ANNUAL TOLLS FALLING SHORT OF TARGET BY $15 MILLION. THE DECLINE IN TOLLS WAS ATTRIBUTABLE PRIMARILY TO REDUCED TRANSITS AMONG GRAIN, PETROLEUM, AND AUTOMOBILE CARRIERS. GRAIN SHIPMENTS FOR THE YEAR WERE DOWN 19.4 PERCENT FROM 1988 LEVELS; PETROLEUM PRODUCTS TRADE WAS OFF 12.8 PERCENT, AND AUTOMOBILE SHIPMENTS FELL 6.7 PERCENT. THERE WERE SOME INCREASES IN OTHER COMMODITIES; HOWEVER, THESE INCREASES WERE

NOT SUFFICIENT TO OFFSET THE AFOREMENTIONED DECLINE IN KEY TRADES. THE REMAINING REVENUE FALL-OFF WAS DUE PRINCIPALLY TO REDUCTIONS IN TRANSIT-RELATED SERVICES WHICH ARE DIRECTLY RELATED TO VESSEL TRAFFIC VOLUME.

IN RESPONSE TO THE DECLINING RESOURCES, THE COMMISSION INSTITUTED DURING THE YEAR A SERIES OF COST-SAVING MEASURES DESIGNED TO BRING COSTS IN LINE WITH LOWER PROJECTED REVENUES AND THEREBY MITIGATE THE SIZE OF THE POTENTIAL FISCAL YEAR LOSS. THE ACTIONS TAKEN INCLUDED: THE INSTITUTION OF A HIRING FREEZE; THE APPLICATION OF A REDUCTION IN PERMANENT EMPLOYMENTS (WHICH WAS ACHIEVED THROUGH ATTRITION); THE RESTRUCTURING OF CERTAIN COMMISSION FUNCTIONS; AND THE DEFERRAL OF CERTAIN NON-CRITICAL MAINTENANCE PROJECTS THAT DID NOT IMPACT ON THE SAFE AND EFFICIENT TRANSIT OF VESSELS.

AS A RESULT OF TAKING THESE COST-SAVING MEASURES EARLY IN THE FISCAL YEAR, THE COMMISSION WAS ABLE TO REDUCE EXPENSES, THUS HOLDING THE YEAR'S OPERATING LOSS TO $7.7 MILLION. AS YOU MAY BE AWARE, UNDER THE PANAMA CANAL ACT OF 1979, ANY LOSSES INCURRED ARE CARRIED FORWARD FOR RECOVERY FROM FUTURE PERIODS REVENUES. THIS BROUGHT THE CUMULATIVE LOSS AT THE CLOSE OF FISCAL YEAR 1989, INCLUDING THE LOSSES FROM THE PREVIOUS TWO YEARS, TO $10 MILLION. IT IS ANTICIPATED THAT THESE LOSSES WILL BE FULLY RECOVERED IN FUTURE YEARS AS REQUIRED BY THE PANAMA CANAL ACT OF 1979.

WITH RESPECT TO THE 1989 LOSS, I WOULD LIKE TO POINT OUT THAT THE COMMISSION INCURRED SOME SIGNIFICANT UNBUDGETED COSTS DURING THE YEAR DUE TO THE POLITICAL CRISIS IN THE REPUBLIC OF PANAMA. FOR EXAMPLE, THE COMMISSION WAS FORCED TO CONTRACT FOR SHUTTLE BUS SERVICES AND PROVIDE TRANSPORTATION ALLOWANCES TO PANAMANIAN

EMPLOYEES TO ENABLE THEM TO TRAVEL BETWEEN THEIR HOMES AND WORKSITES SINCE THEY WERE UNABLE TO OBTAIN LICENSE PLATES FOR THEIR PRIVATELY OWNED VEHICLES. TOTAL POLITICAL COSTS AMOUNTED TO APPROXIMATELY $4.6 MILLION FOR THE YEAR. EXCEPT FOR SUCH COSTS, THE COMMISSION'S OPERATING LOSS FOR THE YEAR WOULD HAVE BEEN ESSENTIALLY ON TARGET WITH BUDGET.

OUTLOOK FOR FISCAL YEAR 1990

TURNING TO FISCAL YEAR 1990, THE COMMISSION'S TRAFFIC AND TOLLS PROJECTIONS REFLECT ESSENTIALLY NO GROWTH OVER THE 1989 LEVELS. HOWEVER, AS MR. PAGE STATED, A 9.8 PERCENT TOLL-RATE INCREASE BECAME EFFECTIVE OCTOBER 1, 1989, AND IS EXPECTED TO GENERATE SOME $32 MILLION ANNUALLY. WITH THE TOLL INCREASE, THE COMMISSION IS CURRENTLY PROJECTING FISCAL YEAR 1990 TOLLS TO BE $360.1 MILLION, AS COMPARED TO LAST YEAR'S INITIAL ESTIMATE OF $374.3 MILLION. AS A RESULT OF THE ACROSS-THE-BOARD COST-SAVING MEASURES TAKEN IN FISCAL YEAR 1989, WHICH ALSO HAVE BEEN CARRIED FORWARD INTO FISCAL YEAR 1990, COMMISSION EXPENSES ARE EXPECTED TO BE CORRESPONDINGLY LOWER AND IN LINE WITH THE LOWER TOLLS BEING PROJECTED.

COMMISSION OPERATIONS IN FISCAL YEAR 1990 ANTICIPATE THE RECOVERY OF ALL OPERATING AND CAPITAL COSTS FOR THAT YEAR, PLUS A $6.2 MILLION CONTRIBUTION TOWARDS THE CUMULATIVE LOSSES CARRIED FORWARD FROM PREVIOUS YEARS.

AS A FINAL NOTE ON FISCAL YEAR 1990, I WOULD LIKE TO MENTION THAT THE PANAMA CANAL COMMISSION HAS CONTINUED TO INCUR A VARIETY OF UNBUDGETED EXTRAORDINARY COSTS WHICH ARE THE RESULT OF THE ACTIONS AND POLITICAL DECISIONS OF THE NORIEGA REGIME IN PANAMA OVER THE PAST

TWO YEARS. AS A CONSEQUENCE, THE COMMISSION WAS FACED WITH A DIFFICULT TASK IN TRYING TO ACCOMMODATE THESE COSTS. IT COULD HAVE ABSORBED THESE COSTS THROUGH FURTHER DEFERRAL OF ESTABLISHED MAINTENANCE PROGRAMS OR BY REDUCTION IN FORCE LEVELS. EITHER OPTION, HOWEVER, WOULD HAVE RESULTED IN AN UNDESIRED DETERIORATION IN THE QUALITY OF CANAL SERVICES FURNISHED TO INTERNATIONAL SHIPPING. ACCORDINGLY, IN ORDER TO SUSTAIN QUALITY TRANSIT SERVICE, THE COMMISSION'S BOARD OF DIRECTORS REACHED THE DECISION THAT THE BEST OPTION FOR THE CANAL AND ITS CUSTOMERS WOULD BE TO RECOVER THESE EXTRAORDINARY COSTS THROUGH THE APPLICATION OF A TEMPORARY 20 PERCENT SURCHARGE ON ANCILLARY MARINE SERVICES. THE SURCHARGE IS TO BE APPLIED TO ALL TARIFF RATES FOR TUG AND LINEHANDLING SERVICES, EFFECTIVE APRIL 1, 1990, AND MAY CONTINUE FOR THE REMAINDER OF THE CALENDAR YEAR.

FISCAL YEAR 1991 OPERATIONS

FOR FISCAL YEAR 1991, WE ARE ESTIMATING A MODEST INCREASE IN CANAL TOLLS REVENUE OF APPROXIMATELY $6 MILLION OR 1.8 PERCENT OVER 1990. AGAIN, THE COMMISSION IS PLANNING TO FULLY COVER ITS OPERATING AND CAPITAL COSTS FOR THE YEAR, AS WELL AS RECOVER THE REMAINING PORTION OF THE CUMULATIVE LOSSES FROM PRIOR PERIODS. BECAUSE OF THE FLAT TOLLS OUTLOOK FOR 1991, WE ARE NOT PROJECTING ANY GROWTH IN COMMISSION OPERATING EXPENSES OTHER THAN THAT CAUSED BY INFLATION. ONE NOTE OF CAUTION: ALTHOUGH WE PROJECT A BREAK-EVEN BUDGET AND A CONTRIBUTION TO PRIOR YEARS' LOSSES, COSTS HAVE BEEN CONSTRAINED TO THE POINT THAT ANY SUBSTANTIAL UNDERPERFORMANCE WITH RESPECT TO

TRAFFIC COULD AGAIN PLACE A GREAT DEAL OF PRESSURE ON THE CANAL ENTERPRISE TO MEET ITS FINANCIAL OBJECTIVES FOR THE YEAR.

CONGRESSIONAL LIMITATIONS

FOR THOSE ITEMS UNDER CONGRESSIONAL LIMITATIONS, THE COMMISSION IS REQUESTING A TOTAL OF $52,000 FOR OFFICIAL RECEPTION AND REPRESENTATION EXPENSES, OF WHICH (1) NOT MORE THAN $12,000 MAY BE AVAILABLE TO THE SUPERVISORY BOARD OF THE COMMISSION, (2) NOT MORE THAN $6,000 MAY BE AVAILABLE FOR SUCH EXPENSES OF THE SECRETARY OF THE COMMISSION, AND (3) NOT MORE THAN $34,000 MAY BE AVAILABLE TO THE ADMINISTRATOR OF THE COMMISSION.

WITH RESPECT TO ADMINISTRATIVE EXPENSES, THE REVOLVING FUND LEGISLATION LIMITS SUCH EXPENSES TO THE AMOUNT PROVIDED ANNUALLY IN APPROPRIATION ACTS. AS PROVIDED IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1991, THE COMMISSION PROJECTS A REQUIREMENT OF $48.9 MILLION FOR THIS CATEGORY OF EXPENSE. THE ESTIMATE IN FISCAL YEAR 1991 IS ACTUALLY MODESTLY BELOW THE LIMITATION SET FOR FISCAL YEAR 1990. I WOULD LIKE TO ADDRESS IN MORE DETAIL THE FUNCTIONS THAT ARE INCLUDED IN THIS CATEGORY.

1. EXECUTIVE DIRECTION, $11.2 MILLION. THIS PROVIDES FOR THE MANAGEMENT, PLANNING, DIRECTION, AND CONTROL OF OVERALL COMMISSION ACTIVITIES, SUCH AS THE OFFICE OF THE ADMINISTRATOR, OTHER ADMINISTRATIVE SERVICES, AND ALSO THE COSTS ASSOCIATED WITH THE SECRETARY'S OFFICE IN WASHINGTON, D.C.

2. OPERATIONS DIRECTION, $2.2 MILLION. THIS PROVIDES FOR THE BUREAU-LEVEL DIRECTION AND COORDINATION OF SEPARATE OPERATING BUREAUS WHICH ARE DIRECTLY RELATED TO THE TRANSIT AND SUPPORT FUNCTIONS OF THE COMMISSION.

3. FINANCIAL MANAGEMENT, $13.9 MILLION. THIS FUNCTION IS RESPONSIBLE FOR THE DEVELOPMENT OF FINANCIAL, ACCOUNTING AND RATE-MAKING POLICIES, ESTABLISHMENT OF SYSTEMS OF INTERNAL CONTROL, AND PROCESSING OF THE COMMISSION'S BIWEEKLY PAYROLL.

4. PERSONNEL ADMINISTRATION, $4.5 MILLION. THIS FUNCTION HAS THE AGENCY-WIDE RESPONSIBILITY FOR PERSONNEL ADMINISTRATION AND MANAGEMENT, AND THE JOINT PERSONNEL PROGRAM THAT PROVIDES STAFFING SERVICES FOR PARTICIPATING FEDERAL AGENCIES IN THE PANAMA CANAL AREA.

5. EMPLOYMENT COSTS, $17.1 MILLION. THIS CATEGORY OF EXPENSE COVERS CERTAIN EMPLOYMENT COSTS OF THE COMMISSION WHICH ARE GENERAL IN NATURE AND NOT IDENTIFIED WITH OTHER SPECIFIC ACTIVITIES. INCLUDED ARE PROVISIONS FOR REIMBURSEMENT TO THE DEPARTMENT OF DEFENSE FOR EDUCATION AND HOSPITAL SERVICES; THE COMMISSION'S SHARE OF PREMIUM COSTS FOR EMPLOYEES' HEALTH BENEFITS INSURANCE; AND EMPLOYEES' HOME LEAVE TRAVEL AND REPATRIATION COSTS.

CAPITAL REQUIREMENTS

TURNING TO THE CAPITAL PROGRAM FOR FISCAL YEAR 1991, WE ARE PROJECTING A REQUIREMENT OF $30 MILLION FOR NEW CAPITAL PROJECTS. AS IN PAST YEARS, THE GREATEST PORTION OF THE PROGRAM IS DEVOTED TO ESSENTIAL TRANSIT FACILITIES AND EQUIPMENT. MAJOR ITEMS IN THE FISCAL YEAR 1991 PROGRAM INCLUDE REPLACEMENT OF A TUGBOAT, CONTINUED UPGRADING OF THE FIRE PROTECTION SYSTEM AT THE LOCKS, AND REPLACEMENT OF CERTAIN FLOATING EQUIPMENT.

CONCLUSION

IN CONCLUDING MY REMARKS ON THE FISCAL YEAR 1991 BUDGET, I WOULD LIKE TO POINT OUT THAT WHILE THE COMMISSION HAS EXPERIENCED SEVERAL UNUSUAL AND DEMANDING YEARS, RESULTING PRINCIPALLY FROM THE POLITICAL DIFFICULTIES WITHIN THE REPUBLIC OF PANAMA, THE CANAL CONTINUED TO PROVIDE SAFE AND EFFICIENT SERVICE TO ALL CANAL CUSTOMERS. THIS FACT IS DUE PRIMARILY TO THE DEDICATION AND PROFESSIONALISM OF COMMISSION EMPLOYEES, U.S., PANAMANIAN, AND THIRD COUNTRY NATIONALS, MANY OF WHOM HAVE BEEN DIRECTLY IMPACTED UPON BY THESE EVENTS. I JOIN MR. PAGE IN COMMENDING THE COMMISSION WORK FORCE FOR ITS OUTSTANDING PERFORMANCE.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS.

POLITICAL SITUATION

Mr. **Lehman**. Thank you very much. You have answered some of the questions we were going to ask.

During the past two or three years, the political situation in Panama has had a significant impact on the operation of the Panama Canal and on the quality of life of the Commission employees. What is the current situation? Has the political situation stabilized sufficiently so that it is no longer adversely affecting the operation of the Canal?

Mr. **Page**. Mr. Chairman, such an assessment would appear to fall within the purview of the Department of State. However, the Panamanian Government is making progress in organization; training; establishing essential services, along with a host of other actions. There are major problems there. For example, unemployment right now is well over 30 percent, and police protection has yet to be fully established. I would like to add that the Government of Panama seems to be making an enormous effort to assist the Commission in meeting our commitments to provide efficient service to the Canal users. They have been extremely cooperative with us. We have met with a number of their ministers and with the President. I could say that, personally, the working relationship between ourselves and the Government is outstanding. I hope that addresses your question. The nation is facing an enormous task in rebuilding its economy.

EMPLOYEE SECURITY

Mr. **Lehman**. Relate that to the actual performance by your own employees. The question was: Is what is happening in Panama adversely affecting the operation of the canal by your employees?

Mr. **Page**. No, it has not affected the operation of the canal. I would say that it was a traumatic experience for our employees, but to reiterate, Mr. Chairman, the operation of the Canal is going along excellently.

Mr. **Lehman**. The safety of the Commission employees obviously is a major concern, particularly since your Chief Financial Officer was murdered in his own home less than two months ago. What actions are you taking to ensure the safety of the Commission work force, both at work and at home.

Mr. **Page**. Well, prior to and after that unfortunate incident we had with our Chief Financial Officer, we have talked in depth with both the Commander-in-Chief of the U.S. Southern Command. General Maxwell Thurman, and with Major General Cisneros, the Commander of U.S. Army South. We, at this time, are pleased with the beef-up of the security forces that the Army has provided in canal operating and commission housing areas. We have also supplemented that effort with some of our own security personnel. At the present time, I think that security is working quite well.

Mr. **Lehman**. Has anyone been arrested on this murder?

Mr. **Page**. Yes, the responsible parties have been apprehended. I would say, no more than 48 hours after the incident occurred.

Mr. **Lehman**. Are they still in jail?

Mr. **Page**. They are in jail, yes, sir. There were three individuals apprehended in connection with the case.

Mr. COUGHLIN. Mr. Chairman.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Did this murder appear to have political overtones, or was it a murder in the course of a burglary, robbery, and so forth?

Mr. PAGE. There was really a very weird set of circumstances surrounding the incident and there were three individuals involved. I think only two of them went to the employee's house. It was a random type of hit. These two young fellows initially planned to rob a tape and video store. However, when they arrived there, they saw that there were a number of people so they left. Incidentally, this store is only located about five or six blocks from the employee's house. Discouraged at the video store, they next moved on to a service station. When they got there, I guess they saw a guard, and they were further discouraged from robbing the service station. They knew that the employee lived in the neighborhood; they knew his son, and they also knew the employee owned weapons. This knowledge apparently led them to decide to rob which led to the unfortunate murder.

Mr. LEHMAN. The Administrator's January report to the Commission's Board indicates that the "security vacuum" in Panama has "unleased a wave of lawlessness and chaos". To what extent does this situation still exist?

Mr. PAGE. There are several different stories that have been circulating, Mr. Chairman. I think some of them are distorted. We have heard that there is lawlessness, at least 40 to 50 different people roaming through the hills and the mountains of Panama. We have secured information that this particular story is not a fact. There have been a number of cases of lawlessness that have broken out in the urban areas. I think that those are to be expected. It is not, as far as we know, a concentrated or directed force. We hope that this lawlessness can be curbed as we get better trained Panamanian police forces.

Mr. LEHMAN. In effect, you are saying that the report was overstated?

Mr. PAGE. Yes, sir.

PANAMA POLICE FORCE

Mr. LEHMAN. What progress is the Panamanian Government making in establishing a public force to protect lives and property in that country? Are they establishing an army or do they intend to use only a police force? Right now, they have no police force, as you have said.

Mr. PAGE. Yes, sir. Panama has organized a fledgling Public Force and does not intend to reinstitute a military force. The individuals that are being employed by the Public Force are for the most part former PDF members. There is a training program underway that is being assisted by the U.S. Department of Justice. How long that will continue, I do not know, but they are coming to grips now to go through this training process; and to recruit people that can hopefully provide adequate police protection in the not too distant future.

SECURITY ROLE OF U.S. MILITARY

Mr. **LEHMAN**. What role is the U.S. military playing in the continued protection of the Canal and the Commission work force?

Mr. **PAGE**. I can say, speaking personally, that the U.S. military is fulfilling its mission to protect the Canal. When we have asked for additional security, the U.S. military has never failed to see that we have it. I know that security is foremost in the minds of both General Thurman and General Cisneros. So, while we have the U.S. military services there, we have been pleased and I think well served by the security they provide.

CRIMINAL ACTIVITIES

Mr. **LEHMAN**. Have the number of thefts and acts of vandalism involving Commission housing and Canal operating facilities decreased or increased since December?

Mr. **PAGE**. I think Mr. Burgoon can respond to that question.

Mr. **BURGOON**. Yes, sir. They have decreased considerably. Right after the U.S. military action in December, they were on the increase, again. However, the Commission asked for additional protection support from the U.S. military, and they fulfilled that requirement. They now have roving patrols, comprised of three-member teams with armed weapons, patrolling all Commission town sites.

Mr. **COUGHLIN**. Our military does?

Mr. **BURGOON**. Yes. Our U.S. military is providing that security. The Panama Police have also started individual foot patrols through the Commission housing areas. These efforts are supplemented by the Commission's security force with mobile patrols. So, I think the security is strong, and the number of thefts and vandalism, both in the Canal and in the housing areas, has been reduced considerably.

Mr. **LEHMAN**. Please expand on your answer for the record and include a month-by-month breakdown of reported thefts and acts of vandalism since January 1989.

[The information follows:]

The following is a month-by-month breakdown of the reported thefts since January 1989:

1989:	
January	56
February	37
March	29
April	14
May	43
June	53
July	39
August	33
September	45
October	41
November	52
December	27
Total 1989	469

1990:	
January	37
February	27
Total January/February 1990	64
Grand total	533

PROTECTION AGAINST CANAL SABOTAGE

Mr. **Lehman**. The Canal is particularly vulnerable to sabotage. What additional security measures have been taken during the past three months?

Mr. **Burgoon**. The Commission has implemented several additional security measures to protect against sabotage of the Canal. The Commission's Canal Protection Division has hired additional people, 20 to be exact, to provide increased security at our more strategic facilities. The Commission has also made additional investments in security hardware, such as intrusion detection alarms and closed-circuit television. It presently has a project underway to link this hardware together to provide a centralized use of the equipment.

In addition, the Commission has established a direct communications link with the United States military forces in Panama on a 24-hour basis. Finally, the duties of the Chief of the Canal Protection Guard Service have been broadened to include direct liaison with the senior members of the U.S. forces who have given us full cooperation.

Mr. **Lehman**. Are the U.S. forces actually patrolling the Canal now?

Mr. **Burgoon**. Not at this point. They did during Operation Just Cause. They gave a lot of support to the waterway then, but at this point, they are not because our own security force is capable of providing the required level.

BOMB THREATS

Mr. **Lehman**. For the past several years, it has been indicated that you were receiving numerous bomb threats. Are you still receiving bomb threats? And, if so, how frequently?

Mr. **Page**. Yes, we are still receiving them.

Mr. **Lehman**. In fact, you are not only receiving threats, you are receiving bombs.

Mr. **Page**. There were some explosive devices apparently found during the Just Cause exercise, but they were not really bomb threats. But we continue to have bomb threats. In fact, there have been five since the December invasion. However, we have found no actual explosive devices involved in any of those threats. When people call up and state a bomb has been placed in one of our facilities, we evacuate and conduct a thorough search. We have not found any explosive devices under any of those circumstances. Nevertheless, the bomb threats do continue.

Mr. **Lehman**. Was there recently an incident?

Mr. **Page**. That was directed against the U.S. military. It took place in a cantina downtown.

Mr. **Lehman**. Yes. Right in Panama City.

Mr. **Burgoon**. That was a grenade thrown at a public——

Mr. **Lehman**. Two deaths, was it not?

Mr. **Burgoon**. Not that I am aware of.

Mr. **Lehman**. I thought one person died in the hospital.

Mr. **Burgoon**. There were 16 U.S. military wounded, I think, and one of them subsequently died that I am aware of.

Mr. **Lehman**. Are you satisfied that we currently have enough resources in the area to assure the safe continued operation of the Canal?

Mr. **Page**. Yes, sir, we are.

Mr. **Lehman**. All of you live in Panama City?

Mr. **Burgoon**. I do.

Mr. **Lehman**. When is the last time you went downtown for dinner with the family or friends in Panama City?

Mr. **Burgoon**. I personally do not go into Panama City an awful lot. But that is normal for me. A lot of my friends do go, however, there has been a curtailment due to robberies that have occurred recently in restaurants downtown. Increasingly, armed people—not politically oriented—have held people up inside of restaurants.

Mr. **Rhode**. I want to tell you that I was in downtown Panama City for lunch a week ago last Friday with Mr. Dyson and a number of other Congressional members, with whom I traveled to Panama. Being downtown for lunch is a little different, I think, than being downtown at dinner because dinner hours are the times of the day when these hoodlums rob patrons at restaurant, and for that reason, our people are hesitant to go downtown.

Mr. **Lehman**. At this time, I would like to yield to Mr. Coughlin.

PANAMA PUBLIC FORCE

Mr. **Coughlin**. Thank you, Mr. Chairman.

Let me just follow up on the question the Chairman just asked. First, let me welcome you here. It is good to have you here. This has been a historic year in the history of the Canal. I guess a banner year other than economically for the year and I am glad to see that.

Let me just follow up on the Chairman's questions. I am a little confused as to what the Panamanian Government is doing. I did not understand the answer to your question. Are they establishing an army or just a police force? And is that a uniformed police force? A non-uniformed police force? What are they building down there for security?

Mr. **Page**. I can start and then Mike can elaborate further. While I was in Panama, we saw and talked to members of the Public Force. We have seen the kind of the training that has been given them. Public Force members are uniformed BUDs, battle uniform dress, the same as that our soldiers would wear under those circumstances. They are armed with side arms. Most members of the new Public Force were previously either military police or regular military members of the former Panama Defense Forces.

Mr. **Coughlin**. Is it an army or is it a police force?

Mr. **Page**. It is a police force.

Mr. **Coughlin**. Who is in charge of it?

Mr. **Rhode**. When I went to Panama recently with the Chairman of our House Authorization Committee and some other Congressional members, we received a briefing from Colonel Herrera who is the commander of the new Public Force. They are presently in the process of finalizing their organization structure. They have organized most of their departments including their investigative divisions.

For example, their organization chart shows that the national police force will be divided into three different divisions. One of those divisions will be called the Canal Police Division. That department would be divided into two subdivisions: one assigned to the Pacific side of the Canal proper, and the other to the Atlantic side. This particular force would be responsible for Canal security and security of our townsites in the Canal area.

They have a long way to go, yet. The U.S. Department of Justice has a team in Panama headed up by some members of our FBI who are assisting in training the Public Force by doing their basic training for them. Last Monday, Panama established a police precinct in Panama City for the first time. They are planning to use that precinct as a barometer to gauge the effectiveness of their training before going into other areas to setup additional precincts.

So, it is definitely a police force. There will be no military force. Even though, as the Chairman has stated, they currently wear military uniforms, they are not a military force. They will be a national police force under the civilian leadership of the Government rather than a military individual. They have ranks similar to our civilian police forces: sergeants, lieutenant colonels etc. And it is commanded by a colonel who was an opposition fellow during the Noriega regime. Panama has a lot of work to do yet to establish the full investigatory responsibilities and authorities. The booking of people arrested is still a problem although the Public Force is working hard to establish good procedures. They are working very closely with General Cisneros and his CID people in investigating robberies and other criminal activity.

NORIEGA SUPPORTERS

Mr. **Coughlin**. Are there still Noriega supporters in evidence down there? Or has that pretty much disappeared?

Mr. **Rhode**. Well, the person who threw the grenade in the incident mentioned earlier is reported to have said, "Long live Noriega" as he threw it. General Cisneros has said that there are no Dignity Battalions in the hills, nor members of the Panama Defense Forces left that have organized into any type of force that would create a problem for him.

ESCROW FUNDS

Mr. **Coughlin**. And I know one of the problems that we discussed last year at some length was the fact that the United States had escrowed tax remittances to the Government of Panama and that it resulted in harassment by the Panamanian Government under General Noriega of Canal employees. I take it those escrowed funds have been returned to the Government of Panama, have they?

Mr. PAGE. No, not entirely. There has been some lengthy discussion about that matter. I think the first group of Panamanian officials that came to Washington were five Panamanians, all with the Ambassador rank sent by President Endara. Their main purpose was to determine the amount of funds available, and how these funds will be withdrawn for use by the Panamanian Government.

Some funds have already been withdrawn. However, Panama wants to make withdrawals in an orderly fashion. They do not want to withdraw all the funds at once. They are trying to prioritize their own needs working in concert with the State Department. State Department representatives just returned from Panama who discussed the program to be followed for withdrawing and bringing those funds back into Panama. I believe it is a matter of how should they proceed.

Mr. COUGHLIN. How much is involved?

Mr. PAGE. I think there was over $425,000,000 in total blocked assets.

Mr. COUGHLIN. That is a pretty substantial amount of money.

Mr. PAGE. That is a substantial amount.

HARASSMENT OF EMPLOYEES

Mr. COUGHLIN. The harassment of the Canal employees has stopped, so their life is generally better?

Mr. PAGE. Yes, sir.

MORALE OF PANAMANIAN POPULACE

Mr. COUGHLIN. From your perspective, other than the Canal employees, the general population of Panama, are they better off or worse off right now than they were under Noriega?

Mr. PAGE. It is hard to say. I would say that from my point of view that they are a lot happier. How long that happiness will last depends on the actions taken to provide adequate housing and whether the economy recovers promptly. Presently, we are in the honeymoon period. But the people did welcome us as we drove through areas of Panama City. People came up to shake hands. They called us liberators. They were extremely pleased. I think their morale was high. It is hard to say how long that will last. I think the burden is upon all of us, now, to put together programs of nation-building. The Panamanian Government is working hard to get the business community involved to rejuvenate export/import trade with the rest of the world. I do not expect, economically speaking, that the people are now better off then they were before.

DRUG PROBLEM

Mr. COUGHLIN. And from your perspective, one of the problems, as you know, that we had with General Noriega was the problem of drugs. He was both working with the drug trade and ignoring the drug trade, I guess, in some sense. From your perspective, has that improved any or do you feel not in a position to make any judgment on that or give us any feeling for that?

Mr. **Page**. It is hard to say. There are a lot of people trying to determine and put a circle around that drug activity. I believe it is safe to say that with Noriega out and with all the concentration placed on the drug effort, that a very large segment of the drug trafficking in Panama was disrupted. So, there had to be a substantial reduction. What is being done to establish drug trafficking channels elsewhere, I do not know. But I would say that Panama has certainly gone from, if you say a level seven, probably to a level two on the ability to traffic drugs.

Mr. **Coughlin**. Do you have DEA agents down there?

Mr. **Page**. Yes, there are.

Mr. **Coughlin**. Do they operate with you or do they operate out of the Embassy?

Mr. **Page**. They are working strictly with the U.S. Embassy and with other law enforcement parties, for example, the FBI.

SAFETY OF CANAL EMPLOYEES

Mr. **Coughlin**. During Operation Just Cause, were there any problems regarding the safety of the Canal employees during that operation?

Mr. **Page**. Yes, I can say generally there were safety problems during that operation. I met one of our employees who had been shot twice. So, I would say there was a considerable amount of danger and harassment, Dick, you were there. Perhaps you can expand further.

Mr. **Burgoon**. Yes. This was quite an operation. It involved an awful lot of shooting adjacent to Commission housing areas. When that sort of thing happens, there is bound to be people hurt. My personal view is that the U.S. forces did their utmost to reduce any risk to the U.S. people in the areas of direct military activity. The U.S. military had a lot of patrols and a lot of armed people involved. As an example, one Canal person who lives right next to where the PDF were housed in the Balboa police station which was a key military target and involved heavy shooting back and forth, had stray bullets go into his house. These types of incidents just could not be helped. And, of course, you could not apprise the people ahead of time of this military invasion, because it would have caused a lot more casualties than there actually were. I think, all in all, the U.S. forces really did a good job in protecting the public.

USE OF CANAL BY MILITARY

Mr. **Coughlin**. Was the Canal used by the U.S. military during Operation Just Cause?

Mr. **Burgoon**. Yes. We provided an awful lot of services in support of the military operation.

Mr. **Coughlin**. Such as?

Mr. **Burgoon**. Well, such as using our tugboats to block ships without proper clearance from sailing, and helping inspect sunken ships. We provided motor vehicles and transportation, and sites and houses to house military personnel. We also helped tremendously in safeguarding the security of telecommunications.

DAMAGE DUE TO "JUST CAUSE" OPERATION

Mr. **COUGHLIN**. Did the Canal sustain the damage as a result of Operation Just Cause?

Mr. **BURGOON**. Yes; there was some damage. Two major Canal facilities were damaged. One was the destruction of three electrical transmission towers which will cost us close to $380,000 to replace them. The towers were sabotaged by enemy action on the same night of the invasion. The other major damaged facility is our administration building on the Atlantic side of the Canal. One whole wing was destroyed by the U.S. military because it housed the Cristobal Police Station which was leased earlier to the PDF. The decision is pending as to whether the Commission should repair it or raze the wing. To repair it would be expensive—amounting to a $400,000 pricetag.

ACTING ADMINISTRATOR

Mr. **COUGHLIN**. Just so I understand who is running the operation down there right now, Mr. Manfredo is acting at the present time; is that correct?

Mr. **PAGE**. Yes.

Mr. **COUGHLIN**. And then the name you mentioned has been submitted by the Panamanian Government to the President, and the President then nominates him, and he has to be confirmed by the Senate still?

Mr. **PAGE**. Yes; the President appoints him subject to confirmation by the Senate.

Mr. **COUGHLIN**. Thank you, Mr. Chairman.

Mr. **LEHMAN**. Thank you, Mr. Coughlin.

DAMAGE DUE TO "JUST CAUSE" OPERATION

Mr. **LEHMAN**. What damage was sustained by the Canal and its supporting facilities during the December military operations and the civilian looting that occurred following those operations?

[The information follows:]

The Commission sustained serious damage to two of its installations. Three electrical transmission towers were sabotaged by enemy action on the night of the invasion.

The cost of replacing the towers is approximately $380,000. In addition, an entire wing of the Commission's Administration Building on the Atlantic side, which was leased almost in its entirety to Government of Panama agencies, including the former Panama Defense Forces, was severely damaged by U.S. military action. The Commission is presently evaluating whether it should raze or repair that wing. All other damages sustained by Commission facilities were minor in nature, as were losses from looting.

COMMISSION ASSISTANCE FOR "JUST CAUSE" OPERATION

Mr. **LEHMAN**. To what extent did the Commission personnel assist in the military operation, the logistics, communications, housing, et cetera?

[The information follows:]

The Commission provided considerable support to the U.S. military during Operation Just Cause, such as installation of vital telephone lines, assisting Navy divers in inspecting underwater items, providing firefighters, and a host of other services.

The following detailed listing is provided for the record:

The Marine Bureau towed a Panamanian vessel from the Balboa dock to the U.S. Navy dock at Rodman, expedited the docking of two vessels with military cargo at Mount Hope, and assisted U.S. Navy divers in inspecting sunken boats in Balboa Harbor. Also, at the request of the U.S. Forces, two Commission towboats were dispatched to the Cristobal breakwater to assist in preventing the unauthorized departure of a vessel.

Commission forces assisted in the installation of vital telephone lines at military locations. Also, Commission electronics personnel assisted the military mission with material and technical support, ranging from the provision of voice privacy and open net radio systems to sophisticated sidescan radio equipment, and helped locate clandestine radio emissions adversely affecting Operation Just Cause. In addition, U.S. Forces were give full access to Canal communications facilities.

At the outset of the military operation, the Commission's firefighting activity established a mobile command post and developed a communications system linking the firefighting brigades of the Commission, the U.S. Forces, and the Panama Fire Corps (Bomberos) in a coordinated firefighting effort.

In response to military needs, the Commission manned the Miraflores swing bridge on a 24-hour basis.

Logistical units supplied fuel and provided vehicles, including ladder trucks and ambulances, on a loan basis, to military units. The Commission's motor transportation facility at Ancon was employed by U.S. Forces as a staging and troop-billeting area.

The Commission Hotline, as well as large numbers of individual Commission employees, continuously relayed information relevant to suspected Panama Defense Forces/Dignity Battalion activities and weapons caches to the U.S. Forces.

Commission security forces directed U.S. troops to culverts and exits used by hostile elements of the Panama Defense Forces, and assisted in the search of Government of Panama buildings and installations in the Canal area.

Commission housing units and sports facilities were made available for use by U.S. troops as dormitories and baths. Also, Commission buildings and installations were made available for use by the U.S. Forces.

Administrative units issued appropriate identification documents to authorized pesonnel to enable them to pass through U.S. checkpoints.

The Commission's personnel activity supplied volunteer physicians and nurses to assist at the U.S. Forces hospital and at the refugee camp operated by the U.S. Forces in Balboa.

COMMISSION ASSISTANCE TO PANAMA

Mr. LEHMAN. To what extent are the Commission resources being used to assist the new Government?

Mr. BURGOON. I did describe the support the Commission provided during Just Cause.

Mr. LEHMAN. I know. You were using everything that you had.

Mr. BURGOON. Everything that we could possibly help them with, we did.

Mr. LEHMAN. And now?

Mr. BURGOON. Presently, we only assist them if they require it, but it is at a much reduced level than during Just Cause.

PANAMA ECONOMIC SITUATION

Mr. LEHMAN. And you have also partially answered as to what the current economic situation in Panama is. You said that it is happier, but no better off economically.

Do you want to add anything to that?

Mr. PAGE. I think that the current situation is one of anticipation of how they are going to be able to strategize and formulate the structure of this Government. That anticipation, of course, transmits itself through the general populace. There is a great deal of anxiety as to how soon this will take place.

Mr. LEHMAN. Do they have any tourists there now?

Mr. PAGE. I do not think there are many tourists visiting Panama right now. What is important to us now is to help Panama's current economic situation. The Panamanians are looking to us for help; and we are trying to assist them in this effort as much as we can. What we are trying to do is what we call nation building. For example, through our Federal Government, we are trying to maximize Panamanian labor and technology, and to award contracts much quicker by making the effort to cut through the bureaucratic maze that governs our acquisition system. That is beginning to have a good effect. We want to flow as much cash to those projects into Panama as soon as we can.

ESCROW FUNDS

Mr. LEHMAN. When we release these escrow funds, will that be a stimulus?

Mr. PAGE. Yes. That will certainly be a stimulus.

Mr. LEHMAN. What is holding that up?

Mr. PAGE. I think mainly, as I mentioned earlier, Mr. Chairman, there are the normal concerns about the effects of putting an enormous amount of money in bulk immediately into Panama or any other country for that matter. This can cause a financier and an economist a lot of headaches, because they do not know precisely what the results of that will ultimately be.

You could, for example, over-tax the system with undesirable consequences, such as inflation that they do not want. I think that what they want to do in a very systematic way is to determine the efforts that are needed to build up the country; projects and other economic efforts that they can go forward with, and categorize them as to priorities.

Mr. LEHMAN. Who is making the decision?

Mr. PAGE. They are making that decision in the Panamanian Government through their own ministries.

Mr. LEHMAN. On the escrow funds?

Mr. PAGE. Yes, sir. They will flow those priorities back through our U.S. Ambassador in Panama. He will review the various items that they want to proceed with and in what order and priority. Then we will assist them in developing the price tags on each of their priorities so that the money can be generated.

Mr. LEHMAN. Getting back to the Canal itself, do you have any problems obtaining materials and supplies?

Mr. BURGOON. No, sir. We had a little disruption during the invasion, but right now we are back to normal with no significant problems. We are trying to develop the local market. Although the local market has never supplied a lot, it would help the economy if it could expand its share of Canal business. At the moment, the local market is dried up, and we are trying to take steps to get that going.

RECOVERY OF PANAMANIAN ECONOMY

Mr. LEHMAN. Because of the economic uncertainty, private sources of investment will probably remain scarce for a long time and it will perhaps take well into the 1990's before the economic turndown is reversed and a more prosperous situation develops.

What do you believe are the prospects for recovery of the Panamanian economy?

Mr. **PAGE**. First of all, to put a time frame on it, Mr. Chairman, I do not know. But looking at the prospects, I would say that the prospects are very good. Believe it or not, Panama has a financial community that is stable. They do have a great deal of cash in their banks. It is a country that is relatively free of inflation. It is very stable. And through these institutions, there could be an enormous amount of a banking activity created and a lot of cash flow going through there. They are working very hard at this time to attract worldwide business interests to Panama. I think that Panama is a very excellent area to accomplish that, especially, with the financial institutions that exist there. So, with that in mind and in talking with them, I believe they know the problems and how to address them. I would say that I would count on it being a very good prospect.

Mr. **LEHMAN**. In order to become prosperous you have to make something or sell something.

What do you anticipate the source of this new revenue will be, what are they going to be exporting, or will they have a service economy like banking or insurance?

Mr. **PAGE**. It could be banking or insurance. That would be one area of growth.

Mr. **LEHMAN**. Have all of those merchants' stores who were put out of business on a tentative basis been reopened yet, do you know?

Mr. **PAGE**. No, not all. When I was there recently, I did not see many stores that were not open. They seemed to have recovered. Some stores have closed their doors and locked them up forever. But, I saw a great deal of people in business. In fact, they were overflowing into the streets. They had street vendors there that they have never had before. I think the caliber of people whom I have met and whom President Endara has selected for his cabinet are all outstanding. They understand the situation and are good businessmen. Panama could be an excellent catalyst in that part of the world to establish the business trade; to export and to import goods and materials. They also have citrus industry and a free trade zone. The citrus business at one time had the largest single orange grove in the world.

Mr. **LEHMAN**. Citrus?

Mr. **PAGE**. Citrus, concentrated juices. Currently, Panama has a limited production of oranges and orange concentrate primarily to serve local or domestic requirements. Some orange juice concentrate is being exported to Costa Rica.

Mr. **LEHMAN**. It does not sound very good for Florida. (Laughter).

Mr. **PAGE**. I am sorry about that, Mr. Chairman.

U.S. AID TO PANAMA

Mr. **COUGHLIN**. Before we go on to the transition, I am a little confused. I understand that that there was concern about the fact that the foreign aid package was not moving fast enough.

Mr. PAGE. Yes.

Mr. COUGHLIN. At the same time, they have $400 million available. That is a lot of money. They are not drawing down.

Mr. BURGOON. I should clarify that point. Panama has about $122 million, as we understand it, left in the escrow account set up for funds owed Panama by U.S. Government agencies. I think that part of that money may be committed as some type of collateral for bank credits. In other words, in order to restore their international banking system because they are heavily in debt, Panama has to reestablish its credit standing some way. So, I think that in coordination with the State and Treasury Departments that part of that money is being held to provide the necessary collateral for reestablishing Panama's international banking system.

Mr. COUGHLIN. They have drawn down.

Mr. BURGOON. I think that they have $122 million left in the escrow account. But I believe that is for the purpose I have indicated.

Mr. PAGE. But it is being systematically drawn down.

Mr. BURGOON. Definitely. They are still in need, so they indicate, of the financial aid package that the United States has promised.

Mr. COUGHLIN. Thank you, Mr. Chairman.

CANAL TRANSITION

Mr. LEHMAN. In less than ten years, total responsibility for the operation and maintenance of the Canal will shift to the Republic of Panama. What actions need to be taken during this time to ensure a smooth transition and the continued viability of the Canal?

Mr. PAGE. Mr. Chairman, as I mentioned to you a moment ago, the Board has now taken a major direction. And that is what we will concentrate all efforts on working towards the transition of the canal to Panama. We want that to be smooth, and we want to turn over a good operating facility in the year 2000. We want to have a maximum amount of training; to bring Panamanians into management positions where we need them. We want to be able to focus on budgets and to bring costs down. We are looking now to cost reductions each year that will hopefully result in a low operating budget by December 31, 1999. The reason is that if this transition is carried out properly, then when Panama assumes control of the Canal, hopefully it will do so without a large blip. We do not want to end up with, let us say, a large operating and maintenance budget that would be quickly reduced by Panama over some time period that would cause some disruption or lack of maintenance to the Canal. That requires us to work closely with Panama to smooth that operating and maintenance budget downward over time.

PANAMANIANS IN THE WORK FORCE

Mr. LEHMAN. Last year it was indicated that 85 percent of your work force was Panamanian. Where are you now in replacing U.S. citizens with Panamanians?

Mr. PAGE. It is 86 percent now, and that is compared to 69 percent on October 1, 1979.

Mr. LEHMAN. It is gradually moving up?

Mr. PAGE. Yes, sir.

PANAMANIAN PILOT FORCE

Mr. LEHMAN. You have had some problems bringing Panamanians into the pilot work force. Where do you currently stand and is your previously expressed goal of having 50 percent Panamanian pilots by the early 1990's still realistic?

Mr. BURGOON. Yes, sir, we believe that it is very realistic. We now have 29 percent of our pilot force comprised of Panamanians. A number of our Panamanian employees are in training programs that prepare them to be Canal pilots. So, we think that the objective of 50 percent Panamanians by 1995 is very realistic, and hopefully, we will also reach our goal of a 96 percent Panamanian pilot force by the year 2000.

PANAMANIAN MANAGERIAL POSITIONS

Mr. LEHMAN. And with the senior administrative positions, what progress are you making?

Mr. BURGOON. I think that we are also making excellent progress in that area. Right now, the Panamanians occupy 44 percent of our professional managerial positions which represents more than a three-fold increase since treaty implementation. We now have three Panamanian directors, and we also have several Panamanian deputy directors, as well as many Panamanian division chiefs. So, Panamanians are moving right up the organizational scale. I think we will have no problems whatsoever in increasing the number that will go into the highest jobs in a short period.

POST-2000 JOB SECURITY

Mr. LEHMAN. We have discussed the issue of the Panamanian Government providing some kind of tenure or job security for the Panamanian employees of the Canal. Is this something that the new Government intends to address?

Mr. PAGE. I will let Dick answer the specifics on that question, but that is a concern we have at this time particularly as we approach this transition period. We want to assure both our current and prospective employees that job security is a long-term proposition; that they can grow in their jobs, and that there is a future in working for the Canal. It is important that this is conveyed, and we want to do it through our training programs and personnel ascension plans mentioned a moment ago.

Mr. BURGOON. I think that we have been very much aware of the need for keeping the young Panamanian employees after we have trained them. We really got nowhere with the Panamanian Government under the Noriega regime with respect to this job security issue. We just could not pursue this matter with them. I think that we now have new horizons, and we have a new democratic Government which is very interested in the Canal. They are more a business-type than a thug-type, if I can use that word for members of the Noriega regime. In my view, I think we now have some outstanding new Panamanian Board members and a good Administrator. I think that we can make great progress when this new Panamanian team recognizes the need to do something about job security of Panamanian employees after 1999.

Mr. LEHMAN. Like a civil service situation?

Mr. BURGOON. That is correct. I think that the consensus in Panama concerning the viability of the Canal after 1999 is to establish a private entity to run the Canal operation. Under that concept, Panama would receive payments or dividends from that organization, but to succeed it must be run privately and divorced from the normal civil service that Panama has in place.

Mr. LEHMAN. That may be tough to do.

Mr. PAGE. Yes, sir, it may be difficult for Panama to implement that concept.

Mr. LEHMAN. Without doing it to the point where you cannot fire anybody no matter how bad they are.

Mr. BURGOON. Well, they followed that approach with the Panama pipeline. That is a good example. Panama participated in the pipeline on a similar basis and did real well financially, even though it is run on a private basis.

CANAL TRAFFIC CHANGES

Mr. LEHMAN. In fiscal year 1989, you experienced a three percent decrease in net tons and you had your largest operating loss of the decade. This downward trend in traffic continued during the first quarter of this fiscal year. To what extent did the military action in December affect your traffic, and also were any additional costs incurred as a result of this action?

Mr. BURGOON. Actually, the traffic decrease in 1989 was not related directly to any of the political problems in Panama. It was related to the economics of using the Canal. We had a downturn in some of our major commodities due to the slowing of economies of the U.S. and Japan and a shift in trade patterns. Automobile and grain traffic was down. We have four major products that were adversely affected by this.

With respect to the military action, I think that it was brought out earlier that the Canal was closed on December 20th, the first closure in the Canal's history. But we resumed limited operations at 6:00 a.m. on December 21st, the next day, and around-the-clock operations were restored by December 27th.

The restrictions on daylight transits resulted in a peak backlog of 141 vessels which was reduced to 101 vessels by December 31st. The backlog was worked down to normal levels by January 7th. We may have lost a little traffic in December but that passed on into January. So I would say in sum that we did not lose traffic because of Operation Just Cause.

Mr. LEHMAN. What other factors contributed to this decrease?

[The information follows:]

The downturn in Canal traffic has been due to the slowing of the economies of the U.S. and Japan and a shift in patterns affecting some of the key trades in Canal traffic. Canal trade is highly concentrated in a few commodities—grain, petroleum, automobiles, and containers. These four commodity groups account for about 57 percent of the Canal's tolls revenue. Thus, fluctuations in any of these trades have a significant impact on the Canal's overall performance. Automobiles are declining due to the restructuring of the Japanese automobile industry and the slowing of consumer demand in the U.S., grain faced a drop in U.S. exports to Japan and shifts of shipments to U.S. West Coast ports, petroleum was down due to changing distribution patterns, and the container movement is reflecting the slower economic pace of countries important to the Canal and increasing competition from the U.S. intermodal system. By 1991, it is anticipated that some of the forces adversely affecting Canal traffic will have subsided, allowing a return to moderate growth in Canal trade.

IMPACT OF TOLL INCREASE

Mr. LEHMAN. On October 1, 1989, you implemented nearly a 10 percent toll rate increase. Have you looked into whether this rate increase is having an effect on traffic, and was this a flat rate across the board?

Mr. BURGOON. Yes, sir. It was a 9.8 percent across the board rate increase. We have detected absolutely no impact on our traffic patterns as a result of the increase. The studies made by consultants indicate that this rate increase is well below the threshold level that would divert traffic from the Canal. It is so small that it is really lost in the shuffle with the other variables that affect the traffic trends. So we say no, the rate increase had no impact on traffic.

FY 1990 TRAFFIC EXPERIENCE

Mr. LEHMAN. Has your traffic for the first five months of this fiscal year been consistent with your annual estimates of 13,315 revenue transits, 186.4 million tons, and $360.1 million; and if it is below these estimates, what actions are you taking to reduce your operating expenses?

Mr. BURGOON. With respect to this year, there has been a slight diminution in traffic from the budget estimates. There has been a slight downturn or a difference in our traffic to date from what was projected. Of course, in December we had a drop off in revenue due to the vessel backlog, but that revenue was recovered in January. We still are holding to about the level we had budgeted, the $360 million in revenues. It could turn out to be a little bit less. We have contingency plans to reduce expenses should the trend continue. We expect to come in on the target that the Board approved, which includes recovery of a portion of the prior year losses. Revenues should be very close to what we have projected.

FY 1991 TRAFFIC GROWTH

Mr. LEHMAN. You projected a slight increase in traffic of about one percent for 1991. Why do you believe that the trend of lower revenue transits will be reversed in fiscal year 1991? Did you say that there would be a zero level when you read your opening testimony?

Mr. BURGOON. Yes, toll growth is projected to be near zero. This is a very minor improvement. What happened in 1988, Mr. Chairman, was that traffic had been on the increase. For 1989, I think, we discussed that revenues went way down. Tolls were $15 million less than anticipated because of the downturn in the major commodities that are important to the Canal. In 1990, traffic growth is expected to be flat with the increase in tolls only reflecting the effects of the toll increase. In 1991, there will be a resumption of a little growth that is very marginal. Beyond 1991 we are projecting very marginal growth, that is, one to two percent annual growth.

AUTOMOBILE TRAFFIC

Mr. **Lehman**. You mentioned a drop in automobile traffic of about 30 percent in the first quarter. Was that caused by the Japanese manufactured cars in this country, and do your estimates for fiscal year 1991 assume that this downward trend will continue?

Mr. **Burgoon**. Yes, Mr. Chairman. The automobile trade continues to reflect the growing trend of the manufacturing of Japanese cars in the United States. It also reflects the dampening of consumer demand for automobiles in the United States. The automobile industry as a whole is down as far as consumer demand is concerned. We expect this trend to bottom out in fiscal year 1991 and to start slowly increasing after that. Of course, that depends a lot on the U.S. economy and the resumption of consumer demand for automobiles manufactured in Japan.

Mr. **Lehman**. As you said, part of it was because of the increase in Japanese cars manufactured in this country.

As they start building more and more cars in this country, how do you hope for that trend to be reversed?

Mr. **Burgoon**. What we are saying here is that there were two causes for this precipitious drop. One is due to the establishment of Japanese automobile production in the U.S., and the second factor accounting for the drop off is lower consumer demand for automobiles in the U.S. When that demand rises, and we anticipate that it will, the automobile trade growth should keep us about steady.

Mr. **Lehman**. What portion of your total revenue comes from automobiles?

Mr. **Burgoon**. A large portion—$62 million in fiscal year 1989—which is about 19 percent of our total business.

Mr. **Lehman**. Please update for the record the information on automotive shipments by country of origin that was included on page 296 of last year's hearing record.

[The information follows:]

Fiscal Year 1989 Automobile Shipments by Country of Origin

[In thousands of long tons]

Japan	1,536
South Korea	96
Other Far East	74
Total Far East	1,706
West Germany	69
Sweden	18
Other Europe	153
Total Europe	240
United States	34
All other	10
Grand total	1,990

GRAIN TRAFFIC

Mr. **Lehman**. Last year it was indicated that you were anticipating a slight recovery in grain shipments in fiscal year 1990.

What has been the situation regarding grain shipments during the first five months and what do you anticipate for 1991?

Mr. **Burgoon**. During the first quarter of this year, Mr. Chairman, grain shipments were up slightly registering a 2.2 percent increase over the same quarter in 1989. A moderate recovery is anticipated for fiscal year 1991. In other words, we are still projecting a slight growth in that particular trade.

PETROLEUM TRAFFIC

Mr. **Lehman**. And petroleum and petroleum products traffic has been declining steadily since the 1982 opening of the Trans-Panama oil pipeline. What is your current situation regarding crude oil and petroleum products and what are you projecting for this commodity group in 1991?

Mr. **Burgoon**. The current patterns indicate that this commodity group will improve slightly this year over 1989 levels, but show little or no additional growth in 1991. There has been a change in the distribution patterns that has affected this trade.

CONTAINER TRAFFIC

Mr. **Lehman**. Your report shows a significant increase in container tonnage. Has this trend continued?

Mr. **Burgoon**. Total container cargo shipments during the first five months of the current fiscal year are up relative to the same period in the prior year; however, the important Far East to the U.S. East Coast route is showing a declining trend. This decline is due in part to the competition offered by the intermodal system. However, this trade is still very important to us.

Mr. **Lehman**. The competition of what?

Mr. **Burgoon**. The intermodal system.

Mr. **Lehman**. Oh, yes.

Mr. **Burgoon**. A continued weakness in U.S. consumer demand for Far East products and further expansion of the intermodal alternative are expected to result in nearly flat levels in fiscal year 1990. Total container tonnage, however, is projected to increase slightly in fiscal year 1991 as U.S. consumer demand increases with the improvement of the economy.

COAL AND COKE TRAFFIC

Mr. **Lehman**. In recent years you indicated that your coal and coke shipments have declined as a result of increased bypass movements around the Cape of Good Hope. Has there been or do you expect any change in the amount of coal shipped through the Canal?

Mr. **Burgoon**. No significant change is anticipated. The outlook is for flat or declining levels in the future. This, of course, is because of the bypass movements of larger ships that cannot use the Canal.

OTHER TRAFFIC PROJECTIONS

Mr. **Lehman**. Have there been or are you projecting any significant fiscal year 1990 or 1991 traffic level changes in any other commodities such as machinery, metals, chemicals or lumber?

Mr. BURGOON. No significant changes are expected, Mr. Chairman, with the exception of chemicals, which is slated for a sharp decline in fiscal year 1990. Most of these commodities are anticipated to remain flat or show marginal growth from prior years.

TRAFFIC OUTLOOK

Mr. LEHMAN. Would you provide for the record your traffic projections for the next three fiscal years, i.e., fiscal years 1990 through 1992, similar to that included on page 298 of last year's hearing record?

[The information follows:]

FORECAST CAST OF PANAMA CANAL TRAFFIC AND TOLLS REVENUE, FISCAL YEARS 1990–92

	Oceangoing transits	Transit daily average	Total Canal net tons [millions]	Tolls revenue [millions]
Fiscal year:				
1990	12,075	33.1	186.4	$360.1
1991	12,190	33.4	189.8	366.7
1992	12,150	33.5	193.6	374.0

Includes the effect of a 9.8-percent toll-rate effective October 1, 1989.

Mr. LEHMAN. Mr. Coughlin, would you like to ask some of the questions, please?

Mr. COUGHLIN. Certainly, Mr. Chairman.

TRAFFIC STUDY

Mr. COUGHLIN. Last year it was indicated that you were in the final stages of completing a broad-scope and long-range traffic forecast by an outside consultant. What were the results of that study?

Mr. PAGE. I can answer just generally, and then I will ask Dick to expand. That is the study that was completed when I first became Chairman. We are taking another look at that study right now, Mr. Coughlin, because the initial projections showed a little more optimism for FY 1990 than we are starting to actually experience. It did project the downturn that we expected to happen in 1989. Although, it did not come up in the last quarter of 1989 as had been projected. The Board has asked the staff to update and review this study, not only as it will affect us in 1990, but as it will take us all the way through and past 1999. I am not too sure that the update will be as optimistic as last year's study, but I cannot answer your question now as to what it will show.

Mr. COUGHLIN. Please provide a summary of the study for the record.

[The information follows:]

The long-range traffic forecast developed under contract to the Panama Canal Commission was completed in April 1989. The forecast projected a traffic decline in FY 1989 and flat levels in FY 1990. Growth was expected to resume in FY 1991, leading to modest annual increases in the 1 to 2 percent range over the long term. Canal traffic and tolls revenue declined in FY 1989, as predicted, but the decline was more pronounced than that anticipated in the study, and this downturn has continued into early FY 1990. We are, thus, currently reviewing and updating the forecast, which is a normal part of the forecasting process.

FUTURE GROWTH

Mr. COUGHLIN. Obviously, your automobile, oil, and coal traffic is down and unlikely to improve significantly. Do you believe your principal growth in the future will be in grain shipments?

Mr. BURGOON. Yes, sir. We are anticipating that grain shipments, which comprise the largest single commodity group in the Canal trade, will continue to grow. Also, reefer products, fertilizers, miscellaneous ores and lumber products are among the commodities that are forecast to show increases. These commodities are responsible for that modest traffic increase that we see for the future.

RAILROAD COMPETITION

Mr. COUGHLIN. To what extent are you facing increased competition from the railroads and what do your long-term forecasts indicate regarding your ability to compete against the U.S. intermodal system?

Mr. BURGOON. The direct impact of rail deregulation on Canal traffic is very difficult to assess. We are very much aware that the rail system, as part of the U.S. intermodal system, is offering increasing competition to the Canal, particularly with innovations such as the double-stack trains. Such innovations have an effect on the Canal's container trade. This alternative to the all-water route continues to erode the Canal's share of container business between the U.S. East Coast and the Far East. There are also indications that in fiscal year 1989, some corn shipments shifted to West Coast ports as a result of the competitive rail rates. So, the intermodal system is definitely making inroads in our traffic. How significant that is, however, is very difficult to assess. But we still expect the container business, as a whole, to increase even though we are losing a little market share to the intermodal system.

GAILLARD CUT STUDY

Mr. COUGHLIN. It was also indicated last year that your long-range forecasts were going to be incorporated into your Gaillard Cut widening study. What is the status of that effort?

Mr. PAGE. I will reiterate briefly our previous statement. We are looking to update the Temple, Barker and Sloane study. This study provided us with a long-range forecast on traffic and tolls. I am not certain to what degree that study is still accurate. Furthermore, in my personal opinion, we would have to show a tremendous amount of growth in Canal traffic to justify proceeding with the Gaillard project. Certainly, we do not want to proceed with the project if it proves unnecessary and does not help us in regard to improving or increasing Canal traffic. We are not sure that it will. In fact, I feel that it probably will not. We are talking about an enormous capital investment which we would leave with the Canal on December 31, 1999. I do not think that we want to do that unless we are certain of the benefits the project offers.

Mr. COUGHLIN. When do you expect to finalize your Gaillard Cut study? It seems to me that we have been studying that ever since I have been on this Committee.

Mr. **Page**. Yes, sir. We have charged our Board of Directors and a special Board committee that has been established for that purpose to commence that study. In my opinion, we need to have it completed before the end of this year.

Mr. **Coughlin**. Study it for ten more years and we will not have to worry about it.

Mr. **Page**. That is right. We could do that, but it is important to complete the study at the earliest possible date.

Mr. **Coughlin**. Do you still believe that $300 million to $400 million is a reasonable cost estimate for this project?

Mr. **Page**. I do not. I think that the cost would be substantially higher.

Mr. **Coughlin**. As I understand it, the Treaty requires the U.S. to transfer the Canal debt free on January 1, 2000. If this project were undertaken, will it have to be paid off completely prior to that date?

Mr. **Page**. No, sir. Any arrangement to finance it would have to absolve the U.S. from any possible liability.

DEFORESTATION

Mr. **Coughlin**. In the past we have discussed the deforestation of the Canal watershed. Does this continue to be a serious problem and what actions has the Government of Panama taken to control it?

Mr. **Rhode**. Mr. Coughlin, there has been no increase in the deforestation rates in the Canal watershed. There also has been no increase in sedimentation rates in the lakes, and such rates still remain relatively low. So, there is really no adverse impact on the availability of water for lockages. Panama is cooperating in efforts to protect the Canal watershed.

SEA LEVEL CANAL STUDY

Mr. **Coughlin**. What is the current status of the study of a sea level canal, and to what extent is the Commission participating in this study which also has been going on since long before I was on this Committee?

Mr. **Rhode**. I think that it is in the fifth year of what is supposed to be a five-year study. Of course, during the last couple of years with the Noriega regime, there was really not much that our Government could do in forging ahead. Recently, things have begun to move on that study. The first contract was set up in the last three months to begin that effort. So, the study is picking up again under the direction of the State Department.

MARKETING PLAN

Mr. **Coughlin**. Does the Commission have a marketing strategy or plan for the Canal, and if so, could you explain what it includes?

Mr. **Page**. I can say that we have to concentrate very keenly on a marketing plan at this time, because actual traffic is below our projections. We have to bring them into focus and improve their accuracy over the longer term. As you are aware, we are charged with a break-even operation. Presently, we have a cumulative deficit. With the amount of that deficit, we are going to have to manage this Canal much more efficiently. The marketing studies will be a trigger to just about everything that we do in the way of planning. That is, planning the amount of personnel, planning our overhead, and dealing with our charge not to leave this Canal with a deficit at this particular time. I think that the most important one of all of the studies that we have underway right now, including the Gaillard Cut study, is this marketing study, and that is the one we are concentrating on.

NORIEGA SANCTIONS

Mr. Coughlin. As we discussed last year, the Noriega Government has frozen some Canal workers' bank accounts, confiscated vehicles and refused them permission to travel abroad. According to a January news article, the Canal workers association has asked that these problems be resolved by recognizing taxes had been paid without demanding fines; granting clearances to workers to leave the country; revoking legal judgments against Canal workers for supposedly not paying taxes; and returning or compensating workers for confiscated property.

To what extent have these issues been resolved?

[The information follows:]

All sanctions and reprisals have been discontinued. Panamanian employees of the Panama Canal Commission are no longer being subjected to confiscations and similar actions previously brought by the Noriega regime for nonpayment of taxes. We have been advised that an administrative process has been developed by the Panama's Treasury Ministry Office, whereby seized bank accounts and property are to be restored to the owners. Payment arrangements are being worked out with private legal counsel for the employees. The issue of indemnification for damage to seized property has been resolved in principle; however, the mechanism for compensation has not yet been fully developed or implemented.

VOLUNTARY RELOCATION PROGRAM

Mr. Coughlin. Is your program providing for the voluntary relocation of U.S. citizen employee dependents to the U.S. still in effect; and if so, how many dependents have been relocated?

Mr. Rhode. No, sir, Mr. Coughlin. The program ended on February 2nd of this year after consultation with the U.S Ambassador in Panama and the Commander of the U.S. Southern Command. We had 321 dependents, I believe, who took advantage of the program at a total cost of $1.2 million to the Panama Canal Commission.

MORALE OF WORK FORCE

Mr. Coughlin. I think that we have discussed before that the morale of the Canal work force is pretty good now?

Mr. Page. Yes, sir. The liberation of Panama has substantially improved morale throughout the work force.

Mr. Coughlin. Are you having any problems in retaining experienced personnel in those positions that are essential to the safe and efficient operation of the Canal?

Mr. Burgoon. No, sir. We are not having any problems retaining people. I think that employee concerns over security have been met. Moreover, the Commission is a good employer and I believe employees realize this. In addition, we have communication channels that permit employees to express their concerns to us. I think that this policy of open communication is helpful on retaining the necessary people.

ACCIDENT RATE

Mr. **Coughlin**. What was your accident rate for the past year and how did it compare to the previous year?

Mr. **Burgoon**. We have had, with respect to on-the-job accidents, an improvement in 1989 over 1988. The incident rate was 5.8 in 1988 and 5.7 in 1989. So, there has been no big deviation in that rate. With respect to marine accidents, I think we have shown a marked improvement. In 1988, we had 293 transits per accident. In 1989, we improved on that rate with 326 transits per accident. That has been a big improvement in both of those areas.

MORALE OF WORK FORCE

Mr. **Page**. Congressman Coughlin, if I may just go back for a moment. I think that in response to your earlier question about general morale, we have to be a little more responsive. Saying that the general morale is good and up is fine. But, I think that a more candid response, at this point, has to be made. We have been experiencing since January of this year, a serious problem regarding the different personnel benefit packages vis-a-vis the American and Panamanian employees. That has manifested itself in a series of letters and complaints that have been expressed by some of our senior Panamanian employees. It has driven a wedge between the U.S. and the Panamanian senior employees, and, I think, probably down through the ranks. That concerns us a great deal. We have to come to grips with that problem and resolve it. We have now put together a Board committee, both Panamanian and U.S., who deal with these kinds of problems and have asked them to address this problem. We hope that we can come up with a more equitable benefits package for the two nationalities. We must address this problem as soon as possible; and I expect to have the preliminary results of the Committee's work by our next Board meeting in June of this year. This is a serious morale problem. I did not want to leave the morale matter without being candid about this problem.

INJURIES

Mr. **Coughlin**. Please update for the record the information on injuries shown on page 301 of last year's hearing record.

[The information follows:]

RECORDABLE INJURY-ILLNESS CASES

	Fiscal year	
	1988	1989
Total recordable cases	497	486
Man-hour work load	17,167,670	16,940,620
Incidence rate	5.8	5.7

MARINE ACCIDENTS

Mr. COUGHLIN. Also, please update the tables showing accidents, which were included on pages 301 and 302 of last year's hearing record.

[The information follows:]

MARINE ACCIDENTS

	Fiscal year			
	1979 – 86	1987	1988	1989
Oceangoing transits	101,704	12,313	12,318	12,075
Number vessel accidents investigated (not incl. personal injuries)	329	32	42	37
Transits per accident	309	385	293	326

SEVEN-YEAR EXPERIENCE—VESSEL ACCIDENT CLAIMS

	Number	Million
Fiscal year:		
1983	41	$3.4
1984	39	3.2
1985	24	3.1
1986	24	4.7
1987	24	6.3
1988	15	4.1
1989	32	2.8

COMMISSION HOUSING POLICY

Mr. COUGHLIN. Are retired Canal workers eligible to continue to live in Commission housing; and if so, for how long and how is this monitored?

Mr. BURGOON. We have a policy that allows retired employees to live in Commission quarters for a maximum period of sixty days after they retire.

DRUG AND ALCOHOL TESTING PROGRAM

Mr. COUGHLIN. What type of drug and alcohol testing program do you have for your employees?

Mr. RHODE. Our program is called the Employee Health Counseling and Assistance Program, Mr. Coughlin, which includes both alcohol and drug testing, and counseling services for our employees. As an example of its use, in fiscal year 1989, 1,118 alcohol and drug tests were conducted. We had a number of those people, 117 employees, who were enrolled for alcohol and other drug counseling, and 43 employees successfully completed a treatment plan.

Mr. COUGHLIN. Do you have a random drug testing program for all of your employees?

Mr. RHODE. Our program involves supervisory referrals, pre-employment testing, testing upon change of duty to a testing designated position, and voluntary testing. A positive test results in a mandatory physical examination, a referral for counseling, and, in some cases, initiation of disciplinary action.

Mr. **Coughlin**. You have not mentioned random testing there.

Mr. **Burgoon**. At this particular time, we do not have a random testing program in force. However, we are ready to implement one that the Justice Department has reviewed and approved. The program has now been sent to the unions for their review and comments. We hope to have this testing program in place by the end of this year.

Mr. **Coughlin**. Is this for all of your employees or just for certain classes of employees?

Mr. **Burgoon**. I am not that familiar with the details of it, sir, but I know that it is a random testing program. I will provide that information for the record.

Mr. **Coughlin**. Would you provide that for the record please.

Mr. **Burgoon**. Certainly.

Mr. **Coughlin**. And if you could provide for the record a more detailed description of your random drug testing program that you plan to implement.

Mr. **Burgoon**. Fine. I would be glad to do that, sir.

[The information follows:]

Mandatory random testing for illegal drugs is expected to begin in the Panama Canal Commission in June 1990. With this addition, the Commission's Drug-Free Workplace Plan, as required and approved by the Department of Justice on August 5, 1988, will be fully implemented.

Occupants of Testing Designated Positions (TDP's) will be randomly selected by computer, at a 10 percent per year frequency rate. They will be given a notice to report immediately to a Commission-operated occupational health center to provide a specimen. For occupations employed around the clock, the collection may occur at any time of the day or night, on any day of the week, while in a duty status. Testing Designated Positions in the Commission, as determined by the Administrator, include the following categories of positions:

Category 1.—Positions involving the protection of life and property, public health or safety such as equipment, crane and motor vehicle operators; floating equipment personnel; firefighters; high-voltage electrical workers; those who work at heights; divers and diver tenders; riggers; security guards; canal locks transit personnel; and safety and health officials.

Category 2.—Other positions requiring a high degree of trust and confidence including managers at branch chief level and above in the operating bureaus, i.e., those managing the operations involving safety-sensitive or security-sensitive operations and, in general, where the Category 1 TDP's are employed.

Category 3.—Those positions whose incumbents require top secret clearances.

Category 4.—Individuals serving under Presidential appointments (Administrator and Deputy Administrator).

These positions comprise about 25 percent of the permanent work force.

Additionally, individuals administratively referred for testing and who successfully complete an Employee Assistance Program (EAP) treatment plan will be added to the random testing pool for a period of one year following completion. Occupants of TDP's who are enrolled in the Employee Assistance Program will be tested monthly.

The guidelines published by the Department of Health and Human Services (HHS) for collection and testing will continue to be strictly followed. Only an HHS-certified testing laboratory will be used, and external quality control measures will continue to be taken.

Employees subject to random testing will be provided with written notification of initiation of the program at least 30 days prior to implementation.

OIL SPILLS

Mr. **Coughlin**. Does the Commission have a contingency plan to deal with a major oil spill in the Canal; and if so, what does it involve?

Mr. RHODE. Yes, sir. We have all the necessary equipment to include pumps, oil skimmers, booms, oil-recovery trucks, barges and that sort of equipment to handle oil spills of up to 20,000 barrels. For anything larger, we ask the U.S. forces for assistance. However, we have not had an oil spill of that magnitude in the Canal area.

GAILLARD CUT LANDSLIDE

Mr. COUGHLIN. What actions are you taking to prevent the recurrence of a major landslide similar to the one you had in 1986?

Mr. RHODE. We have taken a number of remedial actions in the Gaillard Cut area where the landslide occurred in 1986. You may recall that we previously discussed the award of a very large contract to remove the overburden at Gold Hill and the area adjacent to Gold Hill. We have now paved the top of Gold Hill. In addition, we have reforested the area that was void of vegetation because of the slide and the remedial work that was done. We have established an advisory board of consulting soil engineers to review and advise our engineers on its landslide program and specific slide problems. It appears from all of our monitoring that the efforts have been successful in stopping the motion at the main slide area in Gaillard Cut.

LEGISLATION

Mr. COUGHLIN. We have on the House Floor today H.R. 1347, the Panama Canal Act Amendments of 1990 which would increase the compensation of the board of directors, authorize overseas recruitment for pension pay for the deputy administrator and chief engineer, give early retirement for those hired after September 30, 1979.

I assume that you favor this legislation?

Mr. PAGE. Yes, sir.

Mr. RHODE. Yes, sir. The Administration's position is that they have no objections to the legislation.

Mr. COUGHLIN. And the Canal Commission is in favor of it?

Mr. RHODE. Yes, sir.

FEDERAL EMPLOYEES' COMPENSATION FUND

Mr. COUGHLIN. Please provide for the record an explanation of the operation of the Panama Canal Commission Compensation Fund, including its budgetary impact on the Commission.

[The information follows:]

Prior to January 1988, the Commission accounted for performance-of-duty injuries on a cash basis. No liability was recognized for future benefits due the injured party or, in case of death, the eligible survivors. In January of 1988, the Commission's Board of Directors approved an accounting policy change for liability recognition of costs incurred for performance-of-duty injuries and occupational disease pursuant to the Federal Employees' Compensation Act. Under the new policy, the Commission will recognize the total future liability for performance-of-duty injuries as they occur, and will fund their costs between now and December 31, 1999.

In addition to the accounting policy change, the Commission transferred to the Department of Labor (DOL) the administrative responsibility for these claims effective January 1, 1989. This delegation of function was authorized by Executive Order 12652 of September 19, 1988. In addition, legislation was passed by Congress (H.R. 5287) establishing an interest-bearing fund (administered by DOL) to be used to reimburse the DOL for injury claim payments made on behalf of the Commission. The management and investment of the interest-bearing fund is administered by the DOL.

The financial impact of this accounting change is estimated to be $5.5 million in fiscal years 1990 and 1991.

BORROWING AUTHORITY

Mr. COUGHLIN. Mr. Chairman, that concludes the general questions.

Mr. LEHMAN. Thank you, Mr. Coughlin. I will start the justifications. On page 3, you indicate that in fiscal year 1989 that you used $22,461,000 in borrowing authority compared with your estimate of a year ago of $9,257,000. What was the reason for this $13.2 million increased use of borrowing authority?

Mr. BURGOON. The primary reason for the additional drawdown of the borrowing authority, and I say drawdown but it is actually use of obligational authority, resulted from the loss that we incurred in that year.

Mr. LEHMAN. And you intend to borrow another $10.2 million in fiscal years 1990 and 1991. What is the total amount of borrowing that is currently outstanding and when will this be repaid?

Mr. BURGOON. Sir, I should clarify. We are not really borrowing cash. We are not drawing down any cash at all. This schedule merely reflects the use of backstop authority to cover the Commission's total obligations.

Mr. LEHMAN. Out of what, the Treasury?

Mr. BURGOON. Yes, sir. However, the use of borrowing authority does not affect cash. Actually, the drawdown is in terms of the backstop authority. There is no intention to draw cash from the Treasury. As a revolving fund, we are required to demonstrate solvency, and we do this through use of the borrowing authority. We expect to have the cash resources to cover these obligations when they become due.

Mr. LEHMAN. You do not borrow cash but do you pay it back in cash?

Mr. BURGOON. We use our own cash to pay off the obligation. When paid, it reduces the amount of borrowing authority that was used initially to cover that obligation.

Mr. LEHMAN. For the record, can you expand on it?

Mr. BURGOON. I would be glad to.

[The information follows:]

The Panama Canal Commission Revolving Fund Act provides the Commission with a borrowing authority of $100 million outstanding at any time. This authority serves essentially as a line or credit to backstop Commission obligations that are in excess of its expected cash receipts. However, it should be noted that as this borrowing authority is only a backstop for obligations, no actual funds are involved.

The increase in 1989 reflects the fiscal year loss and the lower level of receipts associated with that year. The Commission anticipates having the resources on hand to cover those obligations when they become due; accordingly, no actual borrowing of the funds are involved.

MONTHLY TOLLS REVENUE

Mr. LEHMAN. Would you provide a month-by-month breakdown of your toll revenue for fiscal year 1990 including estimates for March through September?

[The information follows:]

Monthly Tolls, Fiscal Year 1990

	In thousands of dollars
Actual:	
October	$31,968
November	29,406
December	26,067
January	30,791
February	27,578
Variation from budget	5,083
Estimate:	
March	30,800
April	30,508
May	31,325
June	28,757
July	29,946
August	30,367
September	27,504
Total	360,100

OTHER REVENUES

Mr. **Lehman**. Would you provide a similar breakdown for your revenues and collections from navigation services, utilities services, and all other sources?

[The information follows:]

PANAMA CANAL COMMISSION—FISCAL YEAR 1990 OPERATING REVENUES AND OTHER RECEIPTS

[In thousands of dollars]

	Operating revenues				Other receipts		
	Navigation services	Utility services	All other	Total operating revenues	Booking fees	Sales fixed assets	Total revenues and other receipts
Actual:							
October	5,927	3,174	578	9,679	682		10,361
November	5,608	3,141	508	9,257	729	2	9,988
December	4,900	3,500	541	8,991	303	3	9,297
January	5,604	2,941	626	9,171	415		9,586
February	4,912	3,327	565	8,804	843	86	9,733
Variation—year to date	776	−680	249	345	−249	−51	45
Estimate:							
March	5,692	2,908	613	9,213	556	8	9,777
April	5,638	2,974	587	9,199	551	8	9,758
May	5,789	3,247	563	9,599	565	8	10,172
June	5,320	3,111	644	9,075	519	9	9,603
July	5,539	2,902	638	9,079	541	9	9,629
August	5,610	3,100	613	9,323	548	9	9,880
September	5,251	2,947	732	8,930	497	9	9,436
Total	66,566	36,642	7,457	110,665	6,500	100	117,265

REDUCTION IN OPERATING EXPENSES

Mr. **Lehman**. On page 4, your actual fiscal year 1989 operating expenses of $443 million were about $24 million below last year's estimate of $467 million and your fiscal year 1990 expenses are about $17 million less than projected a year ago. Were there factors other than reduced traffic that contributed to these lower operating expenses?

Mr. BURGOON. Yes, sir. I think I mentioned in my opening remarks that in 1989 we faced a very serious financial situation. In order to balance to the extent possible the fall off in tolls, we took certain actions to reduce costs, such as the institution of a hiring freeze and the restructuring of certain Commission functions. The effect of these actions reduced costs significantly in 1989. That lower cost level carries over to 1990. In summary, it was the efforts on the part of the Commission to become more efficient in response to the reduced revenues.

FIXED EXPENSES

Mr. LEHMAN. Approximately what percentage of your expenses are fixed?

[The information follows:]

In addition to the classical items of fixed costs that the Commission incurs, such as the annuity payment—which are the same in amount from year to year—there are also many items of expense which may vary from year to year, such as the Panama tonnage payments, which are required, but cannot be controlled by the agency.

The Commission classifies all of those costs that are required but not controlled by the agency, whether or not they vary, as non-discretionary. Currently, approximately 40 percent of the Commission's expenses are non-discretionary in nature.

UTILITY REVENUES

Mr. LEHMAN. On page 4, you indicate that your fiscal year 1989 revenue from utility services was about $6.4 million, or about 16 percent, less than you estimated a year ago. What was the reason for this decrease in revenue and in view of this decrease (FY 1988 level was $37 million and FY 1989 was $34 million). Why are you projecting increases in fiscal years 1990 and 1991?

Mr. BURGOON. What occurred in this particular instance is related to the sanctions on Panama who is a big user of our electric power and a very significant user of our water system. Panama uses 80 percent of the water that we produce. Under Noriega, because of a tightening of the money situation, they stopped buying any power from us. We reflected the normal power sales to Panama in the budget because we did not anticipate they would not be buying power from us. Water sales to Panama were also reduced to minimal levels. With a new democratic Government in Panama, we assume that relations we will go back to normal and that Panama will start buying power and water from us again at the previous levels.

Mr. LEHMAN. Please provide for the record the utility service revenue received for the first four months of fiscal year 1990.

[The information follows:]

Panama Canal Commission—Utility Revenues, October 1989 through February 1990

	In thousands of dollars
October	$3,174
November	3,141
December	3,550
January	2,941
February	3,327
Total	16,133

RECEPTION AND REPRESENTATION EXPENSES

Mr. **LEHMAN**. For operating expenses, in your proposed bill language you are requesting increases in reception and representation expenses of $2,000 for the Secretary, $2,000 for the Board, and $9,000 for the Administrator. With these increases, your reception and representation expenses will be $52,000, which is more than the amount provided for the entire Department of Transportation. Why do you feel you need these increases?

Mr. **BURGOON**. The levels estimated by the Commission for fiscal year 1991 really represent restoration levels close to the amounts needed to meet ongoing requirements.

There continues to be a high degree of interest from Canal users and from other groups visiting the operation in Panama. And every effort is made to show these individuals the Canal area to try to allay concern regarding the operation of the Canal, particularly during the current situation in Panama.

The $2,000 increase in expenses of the Board of Directors is attributable to the trend of holding Board meetings off the Isthmus to demonstrate an interest on the part of the Commission in those facilities providing business to the waterway, as well as to gain insight into those operations providing competition to the Canal.

VEHICLE LIMITATION

Mr. **LEHMAN**. Why are you proposing to eliminate the $15,000 cost limitation on new passenger motor vehicles?

Mr. **BURGOON**. Sir, I think this is a standard provision that we put in our draft authorization bill every year to get around the GSA dollar limitation on the purchase of heavy duty sedans for cross-Isthmus travel by our pilots. I think it is traditional for us to ask to have this dollar limitation eliminated.

Mr. **LEHMAN**. We are talking about passenger cars, not these special sedans.

Mr. **BURGOON**. These are, as I recall, passenger cars that the pilots use for the 50-mile trip across the Isthmus.

Mr. **LEHMAN**. We might revisit that question in a moment.

Mr. **BURGOON**. If you like, we could look at it more closely for the record.

Mr. **LEHMAN**. This is Public Law 100-457, dated September 30, 1988 and it deals with the Panama Canal Commission. It says that the purchase price of vehicles shall not exceed $15,000 per vehicle. It has been in there for years now. Why are you eliminating it this year? Would you expand on that for the record?

Mr. **BURGOON**. Yes, I would be pleased to provide an explanation for the record.

[The information follows:]

These vehicles include large heavy-duty sedans requried for trans-Isthmian transportation of the pilot force and a limited number of other Commission personnel. Although the Commission has not experienced any difficulties to date in procuring these vehicles under limitation, it would be beneficial to the procurement process to eliminate the ceiling.

FUEL COSTS

Mr. LEHMAN. Would you provide for the record your fuel costs for fiscal years 1989, 1990, and 1991, similar to that included on page 308 of last year's hearing record?

[The information follows:]

FUEL OIL AND OTHER FUEL COSTS—FISCAL YEARS 1989–91

[In millions of dollars]

	Fiscal year—		
	1989 actual	1990 estimate	1991 estimate
Fuel oil-power generation, tugs, dredges	9.4	11.4	13.0
Other fuel—vehicles	.3	.4	.4
Total	9.7	11.8	13.4

MAINTENANCE OF CHANNELS

Mr. LEHMAN. Your expenses for maintenance of channels, dams and spillways are estimated to increase by about $2,500,000 in fiscal year 1991. What major maintenance do you expect will be required during the balance of this year and in fiscal year 1991?

Mr. BURGOON. Yes, sir. We have on board now a program of widening and deepening the Pacific entrance which will be for safety reasons. We are going to widen that portion of the channel from 500 to 700 feet. This is an expensive undertaking which started in 1990 and will continue into 1991.

Mr. LEHMAN. Last year, it was indicated that you had a major dredging effort in the Pacific entrance channel. What is the status of this project and any other major dredging efforts you are undertaking?

[The information follows:]

The Pacific Entrance Channel widening was resumed in February of this year and is estimated to be completed next fiscal year.

CHANNEL MAINTENANCE ACTIVITIES

Mr. LEHMAN. Please update for the record the information on channel maintenance activities which was included on page 309 of last year's hearing record.

[The information follows:]

The current channel maintenance projects schedule is as follows:

Fiscal year 1990—Pacific Entrance Channel Widening.

Fiscal year 1991—Pacific Entrance Channel Widening.

Fiscal year 1992—(a) Atlantic Entrance Channel Maintenance; (b) Gatun Lake Channel Maintenance.

OIL SPILLS

Mr. LEHMAN. Please update for the record the information on the oil spills that you have had in the Canal during the past year.

[The information follows:]

During fiscal year 1989, the Commission responded to 19 minor oil spills in Panama Canal waters.

MAINTENANCE, REPAIRS AND OVERHAULS

Mr. LEHMAN. Under the heading, "maintenance, repairs and overhaul" you are proposing an increase of $1,400,000, or about 25 percent. Why do you need a 25 percent increase?

Mr. BURGOON. In fiscal year 1991, we have some heavy dredging equipment scheduled for overhaul—in particular, the crane Hercules, which is the largest floating crane that we have, and several dump scows which are expensive to maintain.

MARITIME TRAINING PROGRAM

Mr. LEHMAN. On page 10, you show a projected increase of slightly over 10 percent for your maritime training program. Why is this program being reduced in fiscal year 1990 if you are planning a 10 percent increase next year?

Mr. BURGOON. Again, sir, this is related to the cost saving measures that we had to take in 1989 to react to the downturn in tolls revenue. The training program is one of the programs that we had to reduce. In fiscal year 1991 we are projecting a return to normal training levels.

TRAINEES

Mr. LEHMAN. Please provide for the record the number of trainees by category (apprentice mate, engineering, et cetera) for fiscal years 1989, 1990, and 1991, and explain any significant variations in the numbers.

[The information follows:]

MARITIME TRAINING PROGRAM

	Fiscal year—		
	1989	1990	1991
Towboat Master Training Program	22	20	20
Pilot Understudy Program	16	14	16
Pilot-in-Training Program	26	26	31

The increase in the pilot-in-training program is geared to the requirements to train Panamanian pilots for the year 2000 and to maintain an adequate pilot force for the level of transits projected for the future.

PILOT SALARIES

Mr. LEHMAN. Last year, it was indicated that 150 pilots, almost 75 percent of your fully qualified pilots, earned over $100,000 in calendar year 1988. How many pilots earned over $100,000 in calendar year 1989?

[The information follows:]

The basic salary of pilots remains the same as for any other Federal employee and is subject to the ceiling on salary payments. Canal pilots, because of their labor contract, do have access to certain productivity bonuses and, consequently, they can receive compensation above the Federal pay ceiling. In calendar year 1989, 136 transit pilots earned over $100,000 as a result of increased work schedules, overtime, and bonuses.

PILOT WORKFORCE

Mr. **Lehman**. How many pilots do you currently have and how many do you expect to have onboard at the end of fiscal years 1990 and 1991?

[The information follows:]

	Actual force January 1990	Estimates	
		1990	1991
Fully qualified pilots	211	201	201
Pilots-in-training	25	26	31
Total	236	227	232

ADDITIONAL WORKYEARS—NAVIGATION SERVICES

Mr. **Lehman**. Why are you requesting an increase of 20 staff years for navigation services and control when your vessel transits are remaining essentially unchanged?

Mr. **Burgoon**. I would like to provide that for the record, sir. I do not understand what 20 staff years refers to.

[The information follows:]

The net increase of 20 work years in navigation services and control in 1991 is principally due to the full-year effect of linehandler positions occupied part of fiscal year 1990. The filling of these positions is related to the increase in larger wide-beamed vessels requiring additional linehandler personnel and not to increases in total vessel transits.

LOCK'S CONDITION

Mr. **Lehman**. On page 12, you are requesting $50,200,000 for lock operations in fiscal year 1991. In general, what is the condition of your locks?

Mr. **Burgoon**. The routine maintenance of all locks and equipment, in conjunction with major overhauls of miter gates and valves, have allowed the locks to provide lockage services in a continuous and safe manner. Replacement of some of the old equipment such as turntables, transformers, switch gears and cranes, as well as the implementation of some technical improvements, such as the conversion of the slide mechanism for the rising stem valves, and the design and development of a new computerized maintenance management system, are and will be indispensible to insure continuity of lock operations now and beyond the year 2000. And I think that because of these maintenance efforts, the condition of our locks is excellent.

ACCRUAL FOR LOCKS OVERHAUL

Mr. **Lehman**. What is the reason for your accrual for locks overhaul increasing from $6,400,000 in fiscal year 1989 to $11,400,000 in 1990 and then dropping back to $7,100,000 in 1991?

Mr. **Burgoon**. The accrual reflects the normal fluctuation in costs that we seen necessary to perform the locks maintenance I just mentioned.

REVIEW OF LOCKS OVERHAUL COST

Mr. LEHMAN. Last year, you indicated you were reviewing the cost of the overhaul of the Pedro Miguel and Gatun Locks. What were the results of this review?

Mr. BURGOON. Can we provide that for the record, please?

[The information follows:]

The results revealed that the previously used epoxy painting system for the miter gates was not providing the protection originally anticipated. It was decided that a hot-applied coal tar enamel would provide the most effective protection to the miter gates. Although this system takes more time and cost to apply, it will ensure a 20 to 25-year life cycle versus 7-year cycle for the epoxy system.

LOCKS MAINTENANCE AND OVERHAUL SCHEDULE

Mr. LEHMAN. Is the balance of your lock maintenance and repair program for fiscal year 1990 on schedule and within your cost estimate?

[The information follows:]

Locks maintenance and repair work were slightly delayed due to the events in late December. As normality returns, maintenance efforts have resumed and we are approaching programmed requirements.

LOCKS PROJECTS

Mr. LEHMAN. Please provide a listing of the projects, the status, and the estimated cost.

[The information follows:]

[Dollars in thousands]

Project	Status	Estimated cost
Repair/replace rubber fenders along forebays, tailbays, and approach walls.	Ongoing project	$1,170
Conductor slot rehabilitation	Ongoing project	646
Purchase traction unit gear cases	Purchase requisitions are being prepared to support installation in the third quarter.	346
Replace wood fender	New "sandwich" concept has been accepted. Procurement scheduled for third quarter.	216
Rehabilitate A-frame and deck for Gatun vehicular bridge	Started March 1. Scheduled to be completed in June	195
Rehabilitate high-mast lighting	Designs completed. Procurement requisitions are being prepared.	153
Repair Miraflores vehicular gates	Scheduled for fourth quarter	138
Rehabilitate vertical shaft to assemblies on miter gates machinery.	Coordinating specifics to begin work	132
Locomotive windlass hydraulic components	Prototype design completed. Procurement scheduled for fourth quarter.	106
Miscellaneous (Under $100,000)	Ongoing projects	265

TOW TRACK SYSTEM

Mr. LEHMAN. For the past several years, we have talked about the status of your towing rail system. Last year, you indicated that the waterside rail would be completed in 1990. Is that projection still sound?

[The information follows:]

The program to replace the waterside rail was completed at the start of fiscal year 1990.

LANDSIDE RAIL REHABILITATION PROBLEM

Mr. LEHMAN. You also indicated that it would take until 1995 to complete the landside rail portion. What is the status and estimated cost to complete this project?

[The information follows:]

The landside rail rehabilitation program is just under 50 percent complete, approximately 25,000 feet. The expected completion of the landside rail rehabilitation has shifted from the originally scheduled fiscal year 1995 to fiscal year 1996. Approximately 23,000 feet (54 percent) of conductor slot have been replaced of a programmed total of 50,000 feet. This portion of the program is within the original schedule and is expected to be completed by fiscal year 1995. The total estimated cost for the landside rail rehabilitation and conductor slot in fiscal year 1990 dollars is $10.5 million.

GENERAL MAINTENANCE BREAKDOWN

Mr. LEHMAN. On page 13, would you provide for the record a breakdown of your $15,600,000 request for general maintenance?

[The information follows:]

	Amount
Buildings, including housing	$2,618
Locks, including repair of tow track	3,288
Power systems, including transmission spans	806
Public areas	315
Maintenance of channels	478
Chilled water service	595
Water system	501
Maintenance of all other equipment	3,706
Maintenance of all other facilities	3,285
Total	15,592

SHIP REPAIR FACILITY

Mr. LEHMAN. What major repairs are you anticipating at your ship repair facility in 1991?

Mr. BURGOON. The schedule at the ship repair facility includes three interim and five major overhauls to be performed for the tug fleet. Also included are structural repairs to the miter gates at Gatun Locks, the overhauling of a dump scowl, a salvage barge and a floating crane, overhauling eight launches of the launch fleet and five of fourteen gates at Gatun Spillway. Additionally, preventive maintenance and emergency repairs are to be performed on these and other floating equipment.

VESSEL REPAIR COSTS

Mr. LEHMAN. Why are these vessel repair costs increasing by about 13 percent in fiscal year 1991?

[The information follows:]

The increased costs reflect an overall cost escalation for personnel services, supplies and materials, and other services of approximately 4.5 percent. The remaining increase provides for changes in the Commission's tug overhaul schedule; and an increase in dredging equipment overhauls, principally the crane HERCULES.

ADDITIONAL MAINTENANCE POSITIONS

Mr. LEHMAN. Why are you requesting an increase of 43 staff years for general repairs, engineering, and maintenance services?

Mr. BURGOON. Sir, could we also provide that for the record?

[The information follows:]

The net increase of 43 work years in general repairs, engineering, and maintenance services in fiscal year 1991 is principally attributable to increased requirements for accomplishing industrial maintenance projects, such as overhaul of navigation tugboats and other floating equipment; and the full-year effect of positions filled part-year in fiscal year 1990 in the electrical and general maintenance services areas.

FIRE AND PROTECTION SERVICE POSITIONS

Mr. LEHMAN. Turn to fire and facility protection services. Why are your staff years for this activity proposed to decrease from 449 FTEs in fiscal year 1989 to 440 FTEs in fiscal year 1991?

Mr. BURGOON. Sir, I would prefer to provide this answer for the record.

Mr. LEHMAN. That is in fire and facility protection services. That is not available at this time?

Mr. BURGOON. No, sir. I am not certain of the reason for their reduction. I could try and answer but I would rather not because my answer may be incorrect. I would prefer to be accurate and to provide it for the record, if you have no objections.

Mr. LEHMAN. All right.

[The information follows:]

The reduction in FTEs in fire and facility protection services in fiscal year 1991 recognizes delays in filling guard positions. New administrative procedures and other specific requirements for filling these types of positions, such as drug testing, prolong the processing and hiring time.

FIREMEN AND SECURITY PERSONNEL SALARIES

Mr. LEHMAN. Would you provide for the record the average salaries of your firemen and security personnel?

[The information follows:]

The basic average salaries for firemen and security personnel follow:

Firemen	$21,668
Facility protection force	13,724

TONNAGE PAYMENTS

Mr. LEHMAN. You are proposing for fiscal year 1991 a $64,532,000 tonnage payment to Panama. Does this assume any increase in the per ton rate?

Mr. BURGOON. Yes, Mr. Chairman, it reflects a two cent per ton increase. In accordance with the Treaty, the tonnage rate has to be adjusted biennially by the rate of inflation as measured by the U.S. Producer Price Index for Total Manufacturers. Our best estimate is that it will go up two cents per ton in 1991 or by about six percent. The general inflation rate today is running about four percent a year.

PAYMENTS TO PANAMA

Mr. LEHMAN. Would you update for the record the table included on page 313 of last year's hearing record showing by fiscal year all payments made to Panama since the Treaty?

[The information follows:]

PAYMENTS TO THE GOVERNMENT OF PANAMA SINCE TREATY IMPLEMENTATION, FISCAL YEARS 1980-89 (THROUGH FEBRUARY 1990)

[In millions of dollars]

Fiscal year	Public service payment	Fixed annuity payment	Tonnage payment	Subtotal	Contingency profit payment	Total
1980	10.0	10.0	54.9	74.9	2.7	77.6
1981	10.0	10.0	56.9	76.9		76.9
1982	10.0	10.0	61.2	81.2	0.4	81.6
1983	10.0	10.0	51.2	71.2		71.2
1984	10.0	10.0	49.1	69.1	2.7	71.8
1985	10.0	10.0	52.8	72.8	1.1	73.9
1986	10.0	10.0	57.0	77.0	2.0	79.0
1987	10.0	10.0	58.1	78.1		78.1
1988	10.0	10.0	59.6	79.6		79.6
1989	10.0	10.0	59.8	79.8		79.8
Total	100.0	100.0	560.6	760.6	8.9	769.5
Fiscal year 1990 through February	4.2	4.2	23.9	32.3		32.3
Total	104.2	104.2	584.5	792.9	8.9	801.8

CATASTROPHE INSURANCE

Mr. LEHMAN. You are requesting on page 16 $3.2 million for catastrophe insurance. What amount of coverage would this insurance provide?

[The information follows:]

Since December 1987, the Commission has carried a multi-peril insurance policy to protect it against unpredictable revenue losses and expenses arising from catastrophic events. The policy has been renewed annually, the last renewal occurring on October 1, 1989. This policy is designed to protect the Commission against all possible risks for which insurance can be purchased. The total coverage under the various aspects of the policy is in excess of $250 million. Excepted from the policy, simply because it is unavailable, is coverage for losses arising from war, whether declared or undeclared; losses from nuclear incidents; and losses of revenue from labor strikes—whether by Canal employees or others—which affect the normal operation of the waterway.

The Commission insurance policy includes protection from catastrophic losses arising from riots, civil commotion, and other disturbances. This particular coverage only, however, is subject as is the practice in the insurance industry, to cancellation by the underwriters at any time upon seven days' notice. Its continuation, or reinstatement, is contingent upon renegotiation of terms, conditions, and premium.

It is expected that the policy for fiscal year 1991 will be similar in coverage to that for the current year.

MARINE ACCIDENTS

Mr. LEHMAN. You indicate on page 16 your estimated accrual for marine accidents and casualty losses is $4.2 million for fiscal year 1991. To what extent have your accidents and casualty losses increased or decreased during the past year?

[The information follows:]

The Commission's accident rate in fiscal year 1989 was approximately 11 percent lower than fiscal year 1988.

ACCIDENT CLAIMS

Mr. LEHMAN. Would you update for the record the tables on pages 314 and 315 of last year's hearing record showing claims filed and paid during fiscal years 1988 and 1989?

[The information follows:]

CLAIMS FILED DURING FISCAL YEAR 1989

Vessel	Date of accident	Amount claimed	Amount paid	In locks
1. Arco Texas	June 29, 1987	$29,662.78	$21,793.00	
2. Atlantric Rainbow	May 17, 1988	8,348.44	7,560.00	X
3. Atlas	Aug. 9, 1988	268,309.27		X
4. Atlas VI	Feb. 18, 1988	46,637.00	22,105.00	
5. Chimborazo	June 15, 1988	35,207.60	20,097.00	
6. Columbus Australia	May 27, 1987	153,068.50		
7. Elpis	July 23, 1988	111,301.98		
8. Esmeraldas	Oct. 16, 1988	262,339.90		
9. Hydrangea Star	Nov. 19, 1988	79,848.85		
10. Jahre Energy	Oct. 6, 1988	23,020.00	15,512.00	X
11. Mantinia	Feb. 16, 1986	[1] 54,851.25		
12. Marine Reliance	June 20, 1988	131,517.08		X
13. Mathildaki	Jan. 15, 1988	85,986.21		
14. Ming Promotion	Nov. 24, 1987	[1] 74,066.13		
15. Ming Star	Feb. 24, 1987	317,131.99		X
16. Nara	Dec. 8, 1987	[1] 15,201.79		
17. New Amity	Nov. 6, 1987	116,702.90		I/O
18. Nomad	Aug. 17, 1988	205,713.27		X
19. Novia	Feb. 20, 1987	4,565.22	4,437.00	
20. Oriental Phoenix	Jan. 13, 1988	140,980.00		
21. Pan Sunny	May 5, 1987	53,198.66		
22. Pastaza	Mar. 16, 1988	156,576.54	30,253.00	X
23. Pietersgracht	Mar. 13, 1989	[1] 55.14		
24. Pridneprovsk	Mar. 12, 1987	19,027.62	18,814.80	X
25. Swan Lake	Aug. 5, 1988	49,569.00		
26. Tug Edie Stevens/Barge Grain Transporter	Oct. 5, 1988	41,288.39		
27. Wie Lik	June 9, 1988	322,387.30		
28. Yacht Alisa	Feb. 26, 1988	5,400.00	5,400.00	
29. Yacht Becky Lou	Jan. 20, 1989	8,000.00	8,000.00	I/O
30. Yacht Coral	Mar. 23, 1988	5,806.55	5,806.55	
31. Yacht Kami	Feb. 26, 1988	1,175.00	1,175.00	
32. Zamora	June 28, 1988	25,886.35	25,806.00	
Total		$2,853,030.71	$186,759.35	

[1] Disallowed.

CLAIMS FILED DURING FISCAL YEAR 1990 (AS OF JANUARY 29, 1990)

Vessel	Date of accident	Amount claimed	Amount paid	In locks
1. Ayiassos	May 8, 1988	$133,014.44		X
2. Caribbean Princess	Feb. 9, 1988	217,224.70		
3. Cypress Trail	Mar. 16, 1988	77,648.92		
4. 18 de marzo	June 29, 1989	23,422.31		
5. Golden Tennyo	July 24, 1988	50,403.92		
6. Lexa Maersk	Mar. 10, 1989	33,745.13	$33,388.00	
7. No. 5 Maya	Mar. 7, 1988	59,670.14		
8. Oriental Freedom	Jan. 30, 1988	41,264.00		X
9. Patricia	Jan. 15, 1988	173,057.15		
10. Tug Moku Pahu	Apr. 21, 1988	8,441,584.67		
Total		$9,251,035.38	$33,388.00	

CANAL STUDIES

Mr. **Lehman**. Would you also list for the record the special Canal studies that you plan to complete during the balance of this calendar year?

[The information follows:]

The Commission's Special Canal Studies provide $154,000 in fiscal year 1990. This is a provisional amount for miscellaneous studies that arise throughout the fiscal year.

INVENTORY VALUE AND SHRINKAGE

Mr. **Lehman**. On page 18, you discuss your supply services activity. What is the current estimated value of your inventory and what provisions do you make for obsolescence and other losses?

Mr. **Burgoon**. The value of our inventory is about $40 million. We do have a reserve for obsolete stock which runs about $300,000.

Mr. **Lehman**. In what?

Mr. **Burgoon**. $300,000 in obsolete stock.

Mr. **Lehman**. Per year?

Mr. **Burgoon**. Per year.

Mr. **Lehman**. How about shrinkage, how much do you lose per year in shrinkage when you take a physical inventory?

Mr. **Burgoon**. This reserve is for both obsolete stock and inventory shortages.

Mr. **Lehman**. That is very small. I hope you are right.

Mr. **Burgoon**. From time to time we review our stock levels. I think that the last time we made a review was about three years ago. At that time, we found items with virtually no movement worth about $2 million. We take slow moving items out of the inventory and start writing them off over a period of time in order to cover their cost from Canal users. The $300,000 amount I referred to is normal amount of stock we write off each year.

INCREASE IN INVENTORY STAFF

Mr. **Lehman**. Why do you need two additional staff for this activity?

[The information follows:]

The additional requirement for two work years in the logistical services activity in 1991 is due to the full-year effect of Contract Specialist trainee positions in the procurement function filled only part of fiscal year 1990.

MOTOR TRANSPORTATION

Mr. **Lehman**. On page 18, you are requesting $10.6 million for motor transportation. Would you update for the record the information on motor vehicles which was included on page 315 of last year's hearing record?

[The information follows:]

MOTOR VEHICLE FLEET SIZE

[In fiscal years]

	Actual 1989	Estimate	
		1990	1991[1]
I. Passenger-carrying vehicles	208	211	211
II. Non-passenger-carrying vehicles:			
a. Light trucks (8,500 GVW or under)	517	508	508
b. Medium trucks (8,501 to 23,999 GVW)	78	87	87
c. Large trucks (24,000 GVW and over)	47	44	44
Total trucks	642	639	639
Total passenger and non-passenger	850	850	850

[1] Provides for the replacement of 44 passenger-carrying vehicles (including 20 large heavy-duty sedans, 23 compact sedans, and 1 ambulance) and 63 non-passenger-carrying vehicles (including light, medium, and heavy trucks and fire pumpers).

UTILITIES OPERATION

Mr. LEHMAN. Have you had any significant operating problems with your power, communications or water systems during the past year?

[The information follows:]

We have encountered no significant operating problems with our utilities or communications system during the past year. To assure a trouble-free operation, we continue with our ongoing program of repairs, overhauls, and updating of equipment to assure efficiency and reliability.

POWER GENERATION COST

Mr. LEHMAN. Why are your power generation costs estimated to increase from $13 million in fiscal year 1989 to $20 million in fiscal year 1991, an increase of over 50 percent?

Mr. BURGOON. It is estimated by our procurement people that the cost of fuel will increase from $12 in 1989 to $18 a barrel in 1991. This is the principal reason for the projected increase in costs from the 1989 level.

ADDITIONAL WORKYEARS—COMMUNICATIONS

Mr. LEHMAN. What are the reasons for your requested increase of six FTEs for your communications system activity?

[The information follows:]

The increase in fiscal year 1991 of six FTEs for the communications system activity represents the full-year effect of additional temporary hires at the end of fiscal year 1990. These temporary hires will support peak work load periods that coincide with traditional retirement periods.

TELEPHONE AND ELECTRONIC SYSTEMS

Mr. LEHMAN. You also are proposing increases over fiscal year 1989 of 46.5 percent for maintenance and operation of your telephone system and 25 percent for your electronic system. Why do you need these large increases?

Mr. BURGOON. We are involved now in maintenance and operation of the communications and electronic systems, which need repairs. We are also renovating and installing cable and raceways at the locks, as well as in the Administration Building. These estimates also reflect the full-year cost or rentals for a communications satellite.

HOUSING UNITS

Mr. LEHMAN. You are requesting $4,325,000 for housing. How many housing units will be operated and maintained in fiscal year 1991 compared with fiscal year 1990?

[The information follows:]

Former political sanctions precluded the transfer of any property to the Government of Panama. This situation forced the Commission to continue operating and maintaining its housing inventory at the level of fiscal year 1988, that is 1,545 units. Now that relations are normal between the two countries, the Commission plans to start transferring housing units in excess of its needs. However, we will not have available for transfer the number of units originally projected. We expect to transfer some 50 units in FY 1990 and 75 more in fiscal year 1991. If the transfers take place as planned, the Commission will then have an inventory of 1,495 units at the end of fiscal year 1990 and 1,420 units at the end of fiscal year 1991.

RENT-FREE-HOUSING

Mr. LEHMAN. Last year it was indicated that you provide rent free housing to about 670 U.S. citizen employees. How many employees currently receive rent free housing and how is their eligibility determined?

Mr. BURGOON. We presently have approximately 600 employees who are eligible for rent-free housing. Their eligibility is determined in accordance with the Panama Canal Act of 1979 which states that those employees who were on the rolls of the Panama Canal Commission before Treaty implementation and who therefore enjoyed U.S. military post exchange and commissary privileges, would be entitled to compensation when they lost the privilege after the five-year transition period. Specifically, the law provides that these employees could be compensated for that loss of economic power resulting from the loss of privileges through a cost of living allowance. The Board decided at the time the employees lost their privilege that rather than giving them a cash allowance that they would be compensated through an alternate set of benefits. We had a consultant make a study to determine the approximate amount that would be required. Rent-free housing is one of the features included in the alternate equity package the Board adopted to compensate those employees for their loss of economic power.

Mr. LEHMAN. You had 670 last year and 600 this year. You had 70 less than the year before. Who is moving into those houses?

Mr. BURGOON. I really cannot answer who has moved in those particular houses. The free-rent eligibility is not related to the house, but rather to the employee. Whatever house the employee resides in, the free rent follows. So an employee could lose the eligibility by acquiring privileges through a spouse who starts working for the U.S. military. Accordingly, the lower number of employees receiving rent-free housing could be the result of this, as well as a reduction due to retirement of eligible employees.

Mr. LEHMAN. Are any of the U.S. citizen employees living on the local economy and not rent free housing?

Mr. BURGOON. Yes, sir. I do not have that number. It is a small amount, but there are some who have bought homes in Panama, and who married Panamanian women who prefer to reside outside the Canal area. I could provide that number for the record. Excuse me, I do have the number—there are 58.

Mr. LEHMAN. Who are living on the local economy?

Mr. BURGOON. Yes, sir.

CONSULTANTS AND ADVISORS

Mr. LEHMAN. On page 24, you are requesting $173,000 in fiscal year 1991 for consultants and advisors. Would you provide a listing of the consultants currently under contract and the studies they are conducting?

[The information follows:]

Consultant	Type of study
Arthur Andersen & Co., Chicago, IL	Assistance, recommendations studies, and reports in areas of accounting policies, and tolls policies and revisions.

ARTHUR ANDERSEN STUDY

Mr. LEHMAN. Last year it was indicated that Arthur Andersen was conducting a study of your accounting and toll policies. What changes have you made as a result of that study?

[The information follows:]

This consultant service provides ongoing advisory service to the Commission for assistance, recommendations, studies and reports in areas of accounting policies and toll policies and revisions as required.

INCENTIVE AWARDS

Mr. LEHMAN. On page 30, you are requesting $900,000 for incentive awards in fiscal year 1991. Would you provide for the record some examples of the incentive awards paid during the past year?

[The information follows:]

During fiscal year 1989, the Commission issued 1,493 performance awards, 820 length-of-service awards, and 14 suggestion awards.

Performance awards are granted, as they are throughout Government service, in recognition of job performance which substantially exceeds job requirements. Performance must have been rated outstanding in all job factors for an Outstanding Award, and for Superior, to have exceeded the normal job requirements. Special Act or Service Awards recognize nonrecurring achievements, such as superior accomplishments on a special job project. A Distinguished Service Award is the highest performance award bestowed by the Commission, granted to an employee who has established a record of excellence through exceptional and exemplary performance over a period of years. All performance awards require written justifications in support of the award recommendations.

Length-of-service (Career Service) awards are non-cash awards consisting of a certificate and lapel pin presented to employees who complete from 20 through 50 years of Commission service (in 10-year increments). Employees who complete 5 and 10 years of service receive a certificate only.

Suggestion awards are granted for employees' ideas which save the Commission or Government money or improve the efficiency of operations. Suggestions are evaluated and, if adopted, suggesters are eligible for cash awards based on tangible and intangible award scales.

Mr. LEHMAN. Your request for incentive awards amounts to an average of over $100 per person. How does that average compare with other agencies?

[The information follows:]

The Commission does not have access to other agencies' incentive awards programs; therefore, we are unable to provide the comparison you request.

FULL-TIME PERMANENT POSITIONS

Mr. **LEHMAN**. On page 33, you show a breakdown of your full-time equivalent employment for fiscal years 1989, 1990, and 1991. Would you provide a similar breakdown for full-time permanent positions corresponding to the totals included on page A-1168 of the President's budget appendix, including an explanation of the requested increase of 586 positions?

[The information follows:]

DETAIL OF FULL-TIME PERMANENT POSITIONS

	1989 actual	1990 estimate	1991 estimate
Transit operations:			
Maintenance of channels and dams	626	651	651
Navigation services and control	2,227	2,058	2,063
Lock operations	1,364	1,325	1,325
General repairs, engineering and maintenance services	1,468	1,483	1,468
Fire and facility protection services	431	454	454
General canal expense	248	242	236
Total transit operations	6,364	6,213	6,197
Supporting services:			
Logistical services	225	225	225
Motor transportation	347	359	360
Power system	120	126	126
Communications system	114	128	132
Water system	79	75	75
Housing	26	23	23
General support services	148	151	148
Total supporting services	1,059	1,087	1,089
Administrative and general:			
Under Limitation:			
Executive direction	227	219	219
Operations direction	45	43	43
Financial management	326	328	328
Personnel administration	124	127	127
Not Under Limitation:			
Personnel development	41	39	39
Other general corporate			
Total administrative and general	763	756	756
Total full-time permanent positions	8,186	8,056	[1] 8,042

[1] Due to an administrative error, the President's Budget appendix reflects fiscal year 1991 total full-time permanent positions as 8,642. It should read 8,042—a reduction of 14 positions from fiscal year 1990—and not an increase of 586 positions.

CAPITAL PROGRAM

Mr. **LEHMAN**. You are requesting $30 million for capital projects. What is your total estimated fiscal year 1990 capital program and how much of that has been obligated?

[The information follows:]

The total fiscal year 1990 capital program is estimated at $37.4 million, which includes $7.4 million unobligated funds at the end of fiscal year 1989. Total obligations for this program as of February 1990 are $5.9 million.

TUGBOAT REPLACEMENT

Mr. LEHMAN. Last year it was indicated that you expected delivery of your two replacement tugboats at the end of fiscal year 1989. Were these deliveries on schedule?

Mr. BURGOON. Yes, sir. The first one was delivered on January 14, 1990. The other one is scheduled to be delivered tomorrow March 14.

TUGBOAT MAINTENANCE

Mr. LEHMAN. To what extent are these tugboat replacements having a favorable impact on maintenance costs, and please provide some indication of the savings for the record?

[The information follows:]

The Commission's tug replacement program is having a favorable impact on the tug maintenance costs of the Commission. In terms of breakdowns and emergency repairs, indications are that these types of costs for the newer tugs, that is, those less than 10 years old, are running ½ to ⅓ below that of the older tugs. More importantly, though, the new tugs are providing the needed improvements in maneuverability and efficiency in handling the growing number of larger ships that are transiting the Canal.

TUGBOAT FLEET

Mr. LEHMAN. Would you update for the record the information on your tugboat fleet that was included on page 319 of last year's hearing record?

[The information follows:]

Name	Year	Age	Planned funded replacement year
1. Rousseau	1967	23	1989
2. Walker	1977	13	1991
3. Burgess	1977	13	1993
4. Trinidad II	1968	22	1994
5. Schley	1968	22	(*)
6. Harding	1970	20	(*)
7. Mehaffey	1970	20	(*)
8. Morrow	1971	19	(*)
9. Parfitt	1981	9	(*)
10. Progresso	1981	9	(*)
11. Alianza	1981	9	(*)
12. Amistad	1982	8	(*)
13. Esperanza	1985	5	(*)
14. Paz	1986	4	(*)
15. Guia	1988	2	(*)
16. Lider	1988	2	(*)
17. McAuliffe	1990	....	(*)

*To be reviewed.

Mr. LEHMAN. The estimated cost for your new tugboat is about 18 percent above the amount for your most recent tugboat. Are you purchasing the same type of tugboat that you did in fiscal year 1989, and will this be competitively bid or added on to the previous contract?

Mr. BURGOON. Yes, sir, it is the same type of tugboat. We went through a program of standardization because of the economies involved. So, this is the same type of tug and will be purchased by competitive bid. All of our tug buys are by competitive bid. The higher cost is due to inflation and some minor modifications, but it is the same type of tugboat.

PILOT/BOARDING LAUNCHES

Mr. LEHMAN. You are requesting $533,000 for a pilot/boarding launch. How will the size and horsepower of this boat compare with the one that is being replaced? If it is significantly larger and more powerful, why? And please provide the size and horsepower of the old and the replacement launch.

The last part is for the record. But the first part I would like to have the answer to at the present time.

Mr. BURGOON. The size and horsepower?

Mr. LEHMAN. Yes.

Mr. BURGOON. I am not really prepared to respond to that part of the question, Mr. Chairman.

[The information follows:]

The new launch is larger and more powerful. The pilot/boarding launch (the HAWK) being replaced is 48 ft x 14 ft in size with 305 horsepower; the new launch is 53 ft x 15 ft in size with 700 horsepower. The new launch provides increased capacity utilization and speed, thereby reducing travel time and trips and offers a more stable board platform for Canal pilots and linehandlers.

Mr. LEHMAN. Do you intend to award a new contract for this launch or will you be exercising an option on your previous pilot/boarding boat contract?

Mr. BURGOON. I really cannot respond to that accurately, and if no objection, I will provide an answer for the record.

Mr. LEHMAN. For the record.

[The information follows:]

The Commission intends to award a new contract.

Mr. LEHMAN. Is your original pilot/boarding boat contract on schedule and within cost?

[The information follows:]

The contract in fiscal year 1989 for the pilot/boarding boat was completed on schedule and within the estimated cost.

OTHER FLOATING EQUIPMENT

Mr. LEHMAN. Do any of your other floating equipment procurements contain options for future year purchases; and if so, please explain them for the record?

[The information follows:]

The Commission does not anticipate carrying options for future years' purchase of other floating equipment procurements.

SMALL BOATS

Mr. LEHMAN. On page 36, how many small boats do you intend to purchase and for what purpose?

[The information follows:]

Two airboats procured in 1979/1980 are scheduled for replacement in fiscal year 1991. These small boats will be operated to support aquatic weed and pollution control, aids to navigation, and maintenance and dredging operations.

SECURITY/HARDWARE EQUIPMENT

Mr. LEHMAN. Please provide a breakdown of your $755,000 request for security hardware and equipment.

[The information follows:]

The following is a breakdown for security and hardware equipment for fiscal year 1991:

Project:	Estimated cost
Closed Circuit Television (CCTV) at Miraflores Locks	$234,000
CCTV system at Pedro Miguel Locks	151,000
CCTV signal transmission Miraflores/Pedro Miguel Locks to Security Control Center (SCC), Bldg. 28, Balboa Industrial Area	165,000
CCTV signal transmission from Balboa Heights, Balboa, Sosa Hill, and La Boca to the SCC	77,000
CCTV signal transmission from Motor Transportation Division to SCC	78,000
CCTV signal transmission link between Bldg. 725 and Bldg. 5, Balboa Industrial Area	28,000
SCC, Bldg. 28—hardware, racks, miscellaneous	22,000
Total	755,000

LOCKS FIRE PROTECTION

Mr. LEHMAN. Two years ago it was estimated that the total cost of your multi-year lock fire protection project was $19 million. Is this still a valid estimate and how much has been provided to date?

Mr. BURGOON. Yes, sir, we still consider that a valid estimate of what the total project will cost. Through 1990 we will have expended $8.8 million on that project.

TURNTABLE PROJECT

Mr. LEHMAN. Last year it was indicated that you would complete the funding for your locomotive turntable project in fiscal year 1991. Do you still expect fiscal year 1991 to be the final year for funding this project?

[The information follows:]

Although the turntable project was originally planned to be completed in fiscal year 1991, that installation has been deferred until fiscal year 1993 due to funding considerations.

CANAL SERVICES COSTS

Mr. LEHMAN. On page 37, provide a breakdown of your $1,037,000 request for the Canal services division and an explanation of how you determined the requested amounts for the launch dock and tugboat landing.

[The information follows:]

Included in the $1,037,000 requested for Canal Services Division is: $524,000 for rehabilitation of the Gamboa tugboat landing; $414,000 for addition of a passenger launch dock at Pedro Miguel Locks, and $99,000 for miscellaneous improvements to other tugboat/launch facilities throughout the Canal.

The dollar amounts are based on estimates developed by Commission engineers taking into consideration the condition and operational requirements of these facilities.

POWER AND COMMUNICATION SYSTEMS

Mr. **Lehman**. You are requesting $4.31 million for improvements to your electrical power and communication systems. Why do you need a 40 percent increase for these types of projects?

Mr. **Burgoon**. The Commission is planning to accomplish essential improvement, rehabilitations and replacements of Canal communication and electrical equipment this particular year. And again as I said, we had held them down in 1989, so this is a catch-up effort.

WATER SYSTEM

Mr. **Lehman**. You are requesting $992,000 for water system pumps and motors. This is nearly three times last year's level. Why has there been such an increase in your requirements?

[The information follows:]

We have changed our conceptual approach to the replacement of pumps and motors. Instead of changing only one or two of the several units at a pump station with one of similar capacity, we are evaluating the functional requirements of the entire station based upon current demands and future need projections. This approach may involve not only changes in the size and type of pumps, but also significant changes in piping. In 1991, this project calls for the replacement of all eight horizontal split-case pumps and motors at the Mt. Hope Station with vertical turbine-type pumps. In 1990, this project only includes the design of the Mt. Hope Pump Station project and the replacement of three pumps at the chilled water plant.

MOTOR VEHICLES

Mr. **Lehman**. On page 38, are all of the motor vehicles for which you are requesting funds replacement vehicles?

Mr. **Burgoon**. Yes, sir. There is no fleet augmentation involved at all; it is all for vehicle replacements.

Mr. **Lehman**. Who buys the old ones?

Mr. **Burgoon**. The vehicles are sold to the U.S. military.

Mr. **Lehman**. Who does?

Mr. **Burgoon**. The U.S. military.

Mr. **Lehman**. Individually?

Mr. **Burgoon**. Most of the vehicles are transferred to them without charge. Under the U.S. Government surplus regulations and the Treaty, we have to offer our excess vehicles to other U.S. Government agencies first and then to the Panamanian Government. Most of the automobiles we excess are being taken up by the U.S. military, even though they meet the GSA age and mileage excessing standards. I think the military cannibalizes them for spare parts. parts.

ADVANCE ENGINEERING

Mr. **Lehman**. On page 39, you are requesting $441,000 for advance engineering. Would you indicate for the record any major project for which engineering and design work has been completed, and no construction funds have been requested?

[The information follows:]

No major projects have been designed for which funds have not been requested. Fiscal year 1991 advance engineering funds will be used to accomplish designs for subsequent years' projects.

MAJOR PROJECTS TIMETABLE

Mr. **Lehman**. Would you also list for the record the major projects currently in the engineering, planning, or design phase and those proposed for this phase in fiscal year 1991, including the timetable and estimated costs to implement each project?

[The information follows:]

MAJOR PROJECTS CURRENTLY IN THE ADVANCE ENGINEERING, PLANNING, AND DESIGN PHASE

[In thousands of dollars]

	Estimated cost	Timetable fiscal year
Fire protection, Pedro Miguel Locks	$8,000	1991–92
Replace pumps and motors, Mt. Hope PS	900	1991
Madden circuit breakers	397	1991
Switchgear, Gamboa water system	397	1991
Relocate/constr. fire station/training facility	331	1991
Relocate pilot reporting station, Diablo	331	1991
Flammable liquid storage facilities	469	1991
Major projects proposed for engineering, planning, and design in 1991:		
Relocate Atlantic maintenance facility to Gatun	1,500	1992–96
Relocate building 1707–E Cristobal to Miraflores Locks	459	1992
Equipment storage shelter, Industrial Division	394	1992
Replace locomotive elect. crane, Gatun Locks	2,780	1992
Add drydock cover structure	1,100	1992
Replace pumps and motors, Balboa PS	900	1992
Replace Gatun transformers	500	1992
Replace Gatun hydro 44KV switchyard	500	1992
Replace switchgear, Mt. Hope water filtration plant	350	1992
Replace Cardenas Substation	300	1992

ADJOURNMENT

Mr. **Lehman**. I want to thank you for your good testimony, and we look forward to some of the answers for the record. Stay safe.

Mr. **Burgoon**. Thank you, Mr. Chairman.

Mr. **Page**. Thank you, Mr. Chairman.

WEDNESDAY, FEBRUARY 21, 1990.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

RAYMOND J. DeCARLI, ACTING DEPUTY INSPECTOR GENERAL
H. RAE SCOTT, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS
JOHN W. LAINHART, IV, ASSISTANT INSPECTOR GENERAL FOR POLICY, PLANNING AND RESOURCES

Mr. LEHMAN. The subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1991 budget request for the Office of the Inspector General. This request totals $33,987,000, which represents a $2,309,000 or 7 percent increase over the fiscal year 1990 sequestered level.

Our principal witness today is the Acting Deputy Inspector General, Raymond J. DeCarli. Mr. DeCarli has appeared before the Subcommittee before in his position as Assistant Inspector General for Auditing. This is his first appearance as a principal witness. The previous Inspector General, John Melchner, announced his retirement in December after a long and distinguished career in government service.

Mr. DeCarli, we welcome you and your supporting staff here today. We would be pleased to hear your statement at this time. You may read it, or if you would prefer, you may summarize it. We will insert your entire statement and your biography into the record.

[The biography of Mr. DeCarli follows:]

RAYMOND J. DECARLI

(Assistant Inspector General for Auditing, Office of the Inspector General, Office of the Secretary)

Type Appointment: Senior Executive Service Career.

Date of Birth: December 17, 1943.

Education: B.S. University of Scranton, Pennsylvania (1965); M.P.A. University of Oklahoma (1981); Certified Internal Auditor (1973).

Professional Experience: 1985-87 Director or Financial, Manpower and Security Assistance Audits, Office of the Inspector General, Department of Defense; 1982-85 Program Director for Major Acquisition of Aeronautical Systems, Office of the Inspector General, Department of Defense; 1978-82 Program Director for Fuels Facilities and Support Programs, Defense Audit Service; 1976-78 Supervisory Auditor, Defense Audit Services; 1974-76 Deputy Director, Eastern Regional Audit Office, Defense Logistics Agency; 1965-74 Auditor and Supervisory Auditor positions, Defense Logistics Agency.

Honors and Awards: Outstanding Performance Award, Quality Salary Increase—1974, 1980; Association of Government Accountants, Special Achievement Award—1978; Performance Award—1981, 1982, 1983, 1984.

OPENING REMARKS

Mr. **DECARLI**. Mr. Chairman, I will just give you a short statement rather than reading the long one for the record.

Mr. Chairman and Members of the subcommittee, it is my pleasure to meet with you today to discuss the Fiscal Year 1991 budget request for the Office of the Inspector General. Accompanying me today are Mr. Rae Scott, the Assistant Inspector General for Investigations, and Mr. John Lainhart, the Assistant Inspector General for Policy, Planning and Resources. Mr. Lainhart is new. With us last year was Mr. Weinhoff. He retired as did a number of our senior executives after the pay raise was not approved. Last year we lost about 50 percent of our senior executive staff.

We have been fortunate in finding some very qualified replacements for those people.

BUDGET REQUEST

Our Fiscal Year 1991 budget request is for $33,987,000 and 470 full-time permanent positions. While the request represents a net increase of $2,309,000 over our 1990 appropriation, the number of positions has not changed. Pay adjustments and price increases for contract audit support account for almost 75 percent of the requested increase. Half of the remaining increase is to continue the implementation of our Audit and Investigation Computer Integration System (AICIS).

During Fiscal Year 1989 we issued 1,896 audit reports. We made recommendations to improve the economy, efficiency, and effectiveness of DOT's programs and operations, with the potential impact of $696,000,000, and questioned the eligibility of $109,000,000 in costs. The resolution of our audit findings resulted in management commitments to seek recoveries and more effectively use resources amounting to $782,000,000.

INVESTIGATIVE EFFORTS

In fiscal year 1989, we opened 278 investigative cases and closed 232 cases. The investigative and prosecutive efforts during this period resulted in 92 convictions; 119 indictments; $27,000,000 in fines, restitutions and recoveries; 91 debarments and suspensions; 119 years probation; and 55 years in prison sentences.

Mr. **LEHMAN**. The IRS needs you.

Mr. **DECARLI**. No. We need the staff we have.

My complete statement provides some of the examples of our audit and investigative results, and I am quite certain that the subcommittee's questions are going to address many of them. So, I am not going to get into discussing them during my introductory remarks. Rather, I would like to just focus briefly on the actions that we have taken to assess the DOT's internal controls and some of our priorities, both audit and investigative, for FY 1991.

We are, and we always have been, very cognizant of our responsibilities for identifying fraud, waste and abuse in the Department. Subsequent to the scandals over in the Defense Department on the "Illwind" procurements, we did a vulnerability assessment to determine if we had the same kinds of problems in Transportation. We looked at basically all of the internal controls in the procurement process. We did find some shortcomings. We needed to improve our protective markings. We needed to improve the access to where procurement documents were stored. Those kinds of things.

But we did not find the same kinds of problems that Defense was disclosing.

Similarly, when the improprieties at the Department of Housing and Urban Development were disclosed, we initiated a similar assessment to determine if, we had those kinds of vulnerabilities. Based on that assessment, we concluded that DOT's risks were low, with the exception of the Urban Mass Transit Discretionary Grant Program.

Mr. **LEHMAN**. I missed that.

Mr. **DECARLI**. For the discretionary grants in the Urban Mass Transit Program.

Mr. **LEHMAN**. They have a higher risk?

Mr. **DECARLI**. They have a higher risk than the rest of the grant programs in the Department.

Mr. **LEHMAN**. We will get to that.

Mr. **DECARLI**. I am sure we will.

We have advised the Department officials of the results of our assessments and we are doing some followup work to make sure that the corrective actions are taken. As a result of the "Illwind" procurement review and our assessment of the controls, we have started two audits, one dealing with small purchases and the other with the Small and Disadvantaged Business Enterprise Program. Both of those audits are in process.

We have worked closely with Department management to ensure that significant internal control problems are identified and reported under the Federal Managers' Financial Integrity Act Program, OMB Circular A-123.

This last year, we used a very unique process that involved bringing together the senior staff from our organization and from the General Accounting Office. We had a separate meeting with the senior officials from GAO that were familiar with each of the Modal Administrations and our people who were familiar with each Modal Administration. We had what we felt was a frank, open discussion of the internal control problems and the kinds of problems that were found. Basically, we said, "If you were the administrator of that Modal Administration, what would you be concerned with?"

After we had those meetings, we met with each of the new Modal Administrators. We described to them what our concerns would be if we were sitting in their chair. We basically told them that they really needed to take a look at the internal control systems that they had in those processes and make a decision as to whether or not they are satisfactory. We found that the Modal Administrators were very receptive to that. They were all new. I am not sure this would work a second time; but, being that they were mostly new people looking for where the problems were, they were very receptive. I think they did a pretty good job in putting together the Financial Integrity Act Report for this last year. In our semiannual report, as of the end of September, we highlighted the five most significant areas where we thought the controls needed to be reviewed or where there were problems in the Department.

Let me turn to the emphasis we are going to put on our audit and investigative work in 1991. In fiscal year 1991 we will continue to emphasize auditing the economy and efficiency of the Department's operations, focusing on Departmentwide and Modalwide audits. Audit resources will be directed to reviewing procurement and contract administration; financial and cash management controls; safety oversight; grants management; and confidentiality, integrity, and availability of computer systems. Historically, we accomplish about 80 percent of the audits in our plan. We are flexible enough to accommodate the need for requested and other high priority audits, such as ongoing audits of air carrier flight delay data that was requested by Research and Special Programs Administration and an audit recently completed of the Federal Railroad Administration's operating rules that was requested by the Secretary. This flexibility allows us to be responsive to the needs of the Department and to Congress.

Our investigative priorities will continue to be cases which could involve the safety of the traveling public. In these instances, as in the past, we work closely with safety officials throughout our investigative activity to prevent or decrease the possibility of an incident or accident. We will continue to concentrate our investigative efforts on grants and procurement fraud throughout DOT. The majority of our recent investigations have continued in areas of grant and procurement fraud. Bidrigging investigations will remain a high investigative priority, but will continue to decline due to our increased efforts in other fraud areas.

Finally, we plan to continue to conduct "special inquiries." This last year, after the Valdez oil spill, we conducted a statistical computer match of the U.S. Coast Guard's Merchant Mariner Licenses with the National Highway Traffic Safety Administration's National Driver Register. Basically, that match was done to see whether or not we had people at sea who had convictions for alcohol abuse. We also evaluated actions needed to improve the usefulness of FAA's Enforcement Information System. These inquiries have proven very useful in handling issues and allegations which do not need a full scope audit and are not criminal in nature, but nevertheless need to be reviewed.

I believe the coming year will be challenging for the Office of Inspector General. We look forward to that challenge, and I am confident we can fulfill our responsibilities with the resources we have requested.

This concludes my opening statement. I will be glad to answer any questions.

[The prepared statement of Mr. DeCarli follows:]

STATEMENT OF RAYMOND J. DECARLI, ACTING DEPUTY INSPECTOR GENERAL

DEPARTMENT OF TRANSPORTATION

BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION

FEBRUARY 21, 1990

Mr. Chairman and members of the Subcommittee, it is my pleasure to meet with you today to discuss the Fiscal Year (FY) 1991 budget request for the Office of Inspector General. Accompanying me today are Mr. H. Rae Scott, Assistant Inspector General for Investigations, and Mr. John W. Lainhart IV, Assistant Inspector General for Policy, Planning and Resources.

Mr. John W. Melchner, the Inspector General (IG) at the Department of Transportation (DOT) for 3 years, retired on December 31, 1989. As you know, he was an exceptionally competent manager with high professional and ethical standards. During his tenure, he made many contributions to improve IG operations in DOT and to further the independence and objectivity of the entire IG community. The Secretary of Transportation has initiated the interviewing process to identify Mr. Melchner's successor.

In addition to Mr. Melchner's retirement, in the past 12 months, three of our seven senior executives also retired. With them, over 100 years' combined experience was lost. Fortunately, we have succeeded in finding very dedicated and talented individuals to fill these three positions. We are all committed to providing Congress and the Department the high quality audit and investigative work that all have come to expect.

Our FY 1991 budget request is for $33.987 million and 470 full-time permanent positions. While this request represents a net increase of $2.309 million over the $31.678 million FY 1990 appropriation, the number of positions has not changed. Pay adjustments and price increases for contract audit support account for almost 75 percent of the requested increase. Half the remaining

25 percent is to continue our approved Audit and Investigation Computer Integration System (AICIS). The remaining $311,000 includes $178,000 to cover inflation costs and $133,000 for additional training, travel, engineering support, laboratory testing, and a permanent change of station move.

OVERALL ACCOMPLISHMENTS

During FY 1989, we issued 1,896 audit reports. We made recommendations to improve the economy, efficiency, and effectiveness of DOT programs and operations with a potential impact of $696 million and questioned the eligibility of $109 million in costs. The resolution of our audit findings resulted in management commitments to seek recoveries and more effectively use resources amounting to $782 million.

We opened 278 investigative cases and closed 232 cases. Investigative and prosecutive efforts during this period resulted in 92 convictions; 119 indictments; $27 million in fines, restitutions and recoveries; 91 debarments and suspensions; 119 years probation; and 55 years in prison sentences.

AUDIT ACCOMPLISHMENTS

As in prior years, we have concentrated our audit resources on Departmentwide and Modalwide audits. These projects examine functions that account for a large portion of the Department's or a Modal Administration's expenditures. For example, one of the Federal Aviation Administration's (FAA) largest programs is the Airport Improvement Program (AIP). In FY 1989 this program accounted for $1.4 billion in obligations. We reviewed both the grant approval and grant administration processes for this program.

In the grant approval audit, we determined whether: (i) sponsor applications were accurate; (ii) proper planning documents were used in support of sponsor applications and/or projects; (iii) projects were prioritized in accordance with Headquarters criteria; and (iv) funds were consistently applied to preclude over/underfunding of eligible projects. We concluded that FAA was doing a good job, with one exception--the grantees were not starting the projects as soon as required after approval. We attributed the delays to FAA's lack of enforcement of AIP handbook procedures that required sponsors to submit final project plans and specifications for approval before grant award or by the extended date under special grant conditions. Using the Federal Highway Administration (FHWA) inflationary cost index for road construction, we estimated that the airport construction delays resulted in increased costs of $7.9 million. FAA generally concurred with the recommendations; however, FAA did not agree that the increased costs cited in our report were solely attributable to their failure to follow handbook procedures. FAA noted that construction start delays are incurred by sponsors for reasons entirely independent of the grant approval process.

Our audit work on the AIP grant administration process concentrated on the quality of asphalt and concrete pavements that had been paid for by FAA. About half of the airport improvement funds are spent for asphalt and concrete pavement. The objective of our audit was to determine if we are getting what we are paying for. To date, we have issued five reports covering material testing requirements for airport pavement materials (FAA's Southern Region, Great Lakes Region, Southwest Region, Western-Pacific Region, and Northwest Mountain Region). We looked at pavement material records totaling $44 million and found that $33 million of the pavement materials had not been fully tested in accordance with contract agreements. Furthermore, $16 million of the pavement materials tested (including some of those insufficiently tested) were not within allowable test tolerances, but were still used. We also found that contract payment reductions of over $791,000 had not been taken for acceptance of out-of-tolerance materials. FAA generally agreed for future grants to (1) review payment reductions, (2) ensure that sponsors complied with grant conditions, and (3) direct sponsors to develop written policies and procedures for enforcing testing requirements. We are preparing a Modalwide report to FAA Headquarters on our findings. This report will include statistical projections showing the magnitude of the material testing deficiencies.

Last year we issued several regional reports that addressed the need for improved funds management procedures at specific FHWA Regions. We subsequently issued a Modalwide report that consolidated the audit results and statistically projected the dollar impact of our findings. Of $847 million total funds on completed and inactive projects we reviewed in 12 states, about $283 million could have been deobligated and made available for other highway improvements. FHWA agreed with our recommendations and is taking positive corrective actions, including (i) strengthening their emphasis on project funds management at the field office level, (ii) working with the states to close out and deobligate excess funds for inactive projects, and (iii) discussing the importance of project funds management with American Association of State Highway and Transportation officials.

At last year's hearing, we discussed the cost growth on the U.S. Coast Guard's (USCG) 378-foot Fleet Renovation and Modernization (FRAM) Project. One of the factors that contributed to contractor claims for delay and disruption costs was USCG's inability to provide updated drawings showing the current or "as built" configuration for these vessels. Anticipating that this could be a problem for future vessel repair contracts, we initiated a review to determine if the USCG was maintaining up-to-date drawings on other vessel classes. We found that the USCG had not maintained essential vessel drawings on a current basis as required by its Naval Engineering Manual. Procedures were not established to ensure that essential drawings were updated when vessel components or configurations were changed or modified. In addition, existing drawings were not filed and controlled after USCG consolidated its vessel maintenance functions from 12 districts into two logistics centers. The USCG agreed to implement our recommendations. In addition, the USCG formed an ad hoc committee to evaluate available technology and improvements to update, store, and maintain drawings, and is conducting configuration reviews of selected vessels that include validation and markup of "as built" drawings.

The extent of audit work required by legislation has increased. We are required to annually review the accuracy and propriety of USCG Superfund expenditures that are billed to the Environmental Protection Agency, assess the Department's controls for awarding and monitoring consulting service contracts, and evaluate the Department's compliance with legislation concerning the use of public funds for influence peddling and lobbying.

Requests from congressional committees have also increased. This past year in response to congressional requests, we issued two reports on Falcon Jet performance; a report on the USCG's Dolphin Helicopter performance, maintenance problems, and the use of these aircraft in drug interdiction missions; and a report on the procedures and controls for managing the Essential Air Service Program. Additionally, we responded to numerous requests from individual members of Congress to review specific issues of interest to them. Each request was evaluated and promptly answered. Furthermore, the Appropriations Committee requested that we review the design of USCG's prototype motor lifeboat before funds are spent to purchase five preproduction boats. We are reviewing concerns about the structure, stability, roll over and self-righting capabilities of the motor lifeboat design.

INVESTIGATIVE ACCOMPLISHMENTS

Our investigative efforts have concentrated on fraud in DOT-funded grant programs and in the Department's procurement processes. During FY 1989, we investigated allegations of fraud in 18 grant and 23 procurement cases. The detection and prevention of bid rigging activities in DOT-funded programs is an important priority, although other investigative workload has resulted in a smaller percentage of our resources being available for this work. Our bid rigging emphasis this past year has been on an investigation of highway contractors who we believe have engaged in a multistate or regional conspiracy. This ongoing project is a departure from our previous efforts, which examined individual contract awards. Our joint efforts with the Department of Justice Antitrust Division during FY 1989 resulted in 10 indictments, 12 convictions, $5 million in fines, and 10 years' probation. We have continued to emphasize to the Modal Administrations that debarment is appropriate for firms convicted of criminal violations. There were 68 Modal Administration-initiated debarment actions in FY 1989.

During FY 1989, we devoted a significant amount of our resources to investigations which resulted from computer matches of FAA airmen records with law enforcement data bases. Our most recent count shows that 322 individual cases have been accepted for prosecution by U.S. attorney's offices, 4,194 cases have been declined, and 302 cases are still awaiting a prosecutive decision. Seventy pilots have been indicted to date, and 24 pilots have been convicted or have pled guilty to charges against them.

Presently, one investigation under the Program Fraud Civil Remedies Act is being coordinated with the Department of Justice and another is under review by the General Counsel. We have additional investigations under way which have potential for being prosecuted under the Act.

DEPARTMENTAL PROGRAM MANAGEMENT AND INTEGRITY

We are very cognizant of our responsibilities for identifying internal control weaknesses that can result in fraud, waste, and abuse. Subsequent to the Department of Defense (DOD) "Illwind" procurement fraud disclosures, we performed a vulnerability assessment to determine if the same problems could exist in DOT's procurement programs. We found some shortcomings, such as the need for protective markings-on contractor bid documents. However, we did not find the kind of problems that were reported in DOD.

Similarly, soon after the improprieties at the Department of Housing and Urban Development were disclosed, we initiated another assessment to determine if similar vulnerabilities existed in DOT's grant award programs. We concluded that the risks in DOT's grant award programs were low, except for Urban Mass Transportation Administration's (UMTA) discretionary grants.

We advised Departmental officials of the results of these assessments and are following up to ensure that needed corrective actions are taken. We also initiated Departmentwide audits of the controls over small purchases and the Small and Disadvantaged Business Enterprise (8A) Program, because these programs do not have extensive internal control features.

We have worked closely with Department management to ensure that significant internal control problems were identified and reported under the Federal Managers' Financial Integrity Act (FMFIA) Program. We used a very unique process that involved bringing together the senior staff from our organization and from the General Accounting Office (GAO). A separate, open, and thought-provoking discussion was held to assess, based on our combined experience, the major management control issues in each Modal Administration. After each meeting, we briefed the new Modal Administrator on our conclusions stressing their responsibility to examine each issue and to assess the system of internal controls. The Modal Administrators were very receptive to this process and, in my opinion, did a fine job in preparing this year's FMFIA report.

In our Semiannual Report to Congress for the period ending September 30, 1989, we highlighted the most significant issues that we and GAO had identified. They were:

- Major acquisitions in FAA and USCG;
- Grants management in UMTA and FAA;
- Safety oversight in FAA, the Federal Railroad Administration (FRA), and Research and Special Programs Administration (RSPA);
- Environmental compliance in USCG and FAA; and
- Loan guarantees in the Maritime Administration.

AUDIT AND INVESTIGATIVE PRIORITIES

We will continue to emphasize auditing economy and efficiency of the Department's operations, focusing on Departmentwide and Modalwide audits. Audit resources will be directed to reviewing procurement and contract administration; financial and cash management controls; safety oversight; grants management; and confidentiality, integrity, and availability of computer systems. Historically, we accomplish about 80 percent of the audits in our plan. We are flexible enough to accommodate the need for requested and other high priority audits, such as the ongoing audit of air carrier flight delay data requested by RSPA and an audit recently completed on FRA's operating rules that was requested by the Secretary. This flexibility allows us to be responsive to the needs of the Department and Congress.

Our investigative priority will continue to be cases which could involve the safety of the traveling public. In these instances, we will continue to work closely with safety officials throughout our investigative activity to prevent or decrease the possibility of an incident or accident. We will also continue to concentrate our investigative efforts on grant and procurement fraud throughout DOT. The majority of our recent investigations have continued in areas of grant and procurement fraud. Bidrigging investigations will remain a priority investigative area, but will continue to decline due to our increased efforts in other fraud areas.

Finally, we plan to continue to conduct "special inquiries." For example, after the Valdez oil spill, we conducted a statistical computer match of the USCG's merchant mariner license records against the National Highway Traffic Safety Administration's National Driver Register. We also evaluated actions needed to improve the usefulness of FAA's Enforcement Information System. These inquiries have proven very useful in handling issues and allegations which do not need a full scope audit and are not criminal in nature, but nonetheless need to be reviewed.

SUMMARY

I believe the coming year will be challenging for the Office of Inspector General. We look forward to that challenge, and I am confident we can fulfill our responsibilities with the resources requested for FY 1991.

This concludes my statement. I will be glad to answer any questions you may have.

Mr. LEHMAN. Thank you, Mr. DeCarli. Your plate is very full.

Mr. DECARLI. Yes, it is.

MAJOR ACQUISITION PROCESS IN FAA AND COAST GUARD

Mr. LEHMAN. In your recent semiannual report, you highlighted five major issues requiring departmental, as well as modal, management attention. One of these problem areas involves the major acquisition process within both FAA and the Coast Guard. What is the problem, and what changes are being made at the OST level to deal with them?

Mr. DECARLI. This was one of the areas that both we and GAO, when we had those open discussions I talked about, felt that if we were sitting in that Modal Administrator's chair we would be concerned about.

As you know, FAA has about a $2,000,000,000 acquisition program. The Coast Guard program is about $700,000,000. Both have had some rocky programs over the years.

If you look at FAA, there have been problems on cost growth in the NAS Program. We issued a report last year on contract modifications and the fact that they were inadequately supported. There have been problems with the Microwave Landing System, the testing of that system, and the decision whether or not to go into large scale production before it was adequately tested. FAA has had staffing reductions in the past in its acquisition program. It has shifted resources over the years to the Air Traffic Control System without getting the replenishment staff back into the support functions like procurement. And that, in fact, has hurt them.

We have recently reported problems with the adequacy of cost benefit analysis that they have done and on some of their decision-making processes, particularly with respect to Remote Maintenance Monitoring Systems. Finally, I will mention the contract specifications on the New York TRACON where they wanted to improve the software. Those specifications were not very good and resulted in some significant cost increases. So, those are the kinds of problems that led us to put acquisition as an issue in the FAA.

The Coast Guard, similarly, if you look back, has had problems with the FRAM program, with the specifications, and the inadequacy of drawings on FRAM. They have had historical problems with the performance of some of their equipment due to inadequate testing. If you look back, you can find that the Falcon Jet and the Dolphin Helicopters are all having engine problems.

Part of the Coast Guard problem has been the skill level of their acquisition staff, rotation problems, and having a well qualified acquisition staff. The same kind of thing holds true in Contract Administration, the ability to control government furnished property, control delivery dates, and enforce delivery schedules. Those are the kinds of things that led to our inclusion of the Coast Guard Acquisition Program as a high vulnerability area.

With respect to what OST is doing to correct the problems, I think there are two significant things they have done. The first one is they have established a program to do acquisition management reviews. They have a staff that goes out to the Coast Guard and

FAA and looks at how well the acquisition process is going. That is new and I think that should be very helpful.

The other important thing I would point to is they have created an Acquisition Career Development Program, for both civilian and military personnel. I think that also will be very beneficial in the long run in helping them have a better acquisition program.

Mr. LEHMAN. In general, both the Coast Guard and FAA have an operations expenditure. And, of course, the Coast Guard has AC&I and the FAA has F&E and Airport Improvement grants. Do they do a better job on operations than they do on acquisitions?

Mr. DECARLI. The answer to that is probably yes. They are smaller programs. They are not as susceptible to new technology and development. So, I would think that you would not find the same kinds of problems in those acquisition programs that you would find in the major system acquisitions.

Mr. LEHMAN. The operations of the Coast Guard is a lot larger than AC&I, isn't it? It is not small, but it seems they do a better job on running the operations from day to day than going out and buying things.

Mr. DECARLI. It is a different technology. Coast Guard officers go to the Academy. They know how to do their business in terms of operations, but they do not have the acquisition expertise. They do not have the specialized training in the acquisition world. And that has hurt them.

Mr. LEHMAN. And that goes the same, basically, for the FAA.

Mr. DECARLI. Yes, sir.

Mr. LEHMAN. And the OST is going to try to deal with some of those problems?

Mr. DECARLI. The new career program will be very helpful.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

There is a fairly long history of problems with the major acquisition process in FAA and Coast Guard. Our audits of major acquisitions have identified problems with (i) contract modifications, (ii) testing of major systems, (iii) cost-benefit analysis, and (iv) training and experience of acquisition personnel. (Audits by the General Accounting Office (GAO) have disclosed similar problems.)

The OIG and GAO have been very active in the past 2 years in performing reviews of specific major acquisitions within both FAA and the Coast Guard. We recently issued a report on contract modifications and concluded that the modifications were inadequately supported. OST established a regular program for conducting and participating in Acquisition Management Reviews which focus on the identified problems. OST Plans reviews at FAA and Coast Guard Headquarters to determine how well the significant procurement delegations are being implemented. Also, a DOT Acquisition Career Development Program was established to provide guidance and training for both civilian and military contracting personnel.

The FAA has had problems with the Microwave Landing System and the adequacy of testing of the system prior to the decision to proceed to large scale production. In addition, there have been problems with the adequacy of cost-benefit analyses, particularly with respect to Remote Maintenance Monitoring System decisions. FAA Administrator James Busey has placed procurement reform at the top of his agenda since becoming Administrator. FAA's realignment places key acquisition functions under the new Executive Director for Acquisition. These functions include independent operational testing and evaluation, program appraisal, acquisition policy and implementation, and the establishment of the Aviation System Acquisition Review Council. This should focus responsibility and provide better visibility as major systems transition through the acquisition process.

The Coast Guard has had problems with specifications and drawings associated with the FRAM program and has had problems with performance of some of their equipment due to inadequate testing. Falcon Jet and Dolphin Helicopters experienced engine problems. The Coast Guard plans to improve drawings by the end of FY 1991. Adequate operational testing of major systems continues to be a problem. However, the Coast Guard has taken positive steps to obtain operational test and evaluation assistance from the U.S. Navy's Operational Test and Evaluation Force for its Command Display and Control System aboard 270-foot cutters and the prototype Heritage Class cutter. Part of the problem has also been the skill level of the acquisition staff. The Coast Guard is addressing its training needs by sending project managers and division chiefs to the Defense Systems Management College for specific major acquisition training and ensuring that support personnel are trained prior to receiving a new assignment.

FAA GRANTS MANAGEMENT

Mr. LEHMAN. You also discussed problems in grants management at FAA and UMTA. Give us some examples of problems you discovered and tell whether or not you are satisfied with the corrective actions planned to address them.

Mr. DECARLI. Let me start with FAA. Basically, we found two problems in FAA that prompted us to put this on the list in our semiannual report.

We were looking at the Airport Improvement Program. In looking at that program, we saw that there was a delay between the time that the grants were approved and the time the construction work started. And that delay, obviously, creates an inflation cost. That was one of the problems, although not the most serious.

To us, the most serious issue with FAA in terms of grants management is their oversight of the AIP projects. We have a series of audits ongoing dealing with airport pavement. We have spent a lot of money on airport pavement. AIP is about a billion-plus dollars and half of that goes into pavement. We are finding that FAA is not doing a very good job of making sure that they are getting what they are paying for. The quality of the pavement is suspect. It either has not been adequately tested or in cases where it has been tested, it often does not meet the specifications. Those are the basic issues regarding FAA.

With respect to the delays on AIP grants, FAA has already made a pretty good response. They have issued out advisory bulletins and they are taking care of that issue.

On the pavement issue, all of our reports, so far, have been to the regional level. We intend later this year, probably next month, to issue a draft report to FAA that will roll up the issues and make basic control recommendations. FAA really needs to make policy decisions. I do not know how FAA will react to that, yet. I think it is going to be very positive, but that remains to be seen. Until we issue report together with those recommendations, I cannot really answer the second part of that question on FAA's action.

Mr. LEHMAN. Before going to UMTA, what is the difference between quality control of federal grants for airport pavement and quality control of federal grants for highway pavement? Is it the same problem? I have heard of bidrigging, but I have not heard of the problem of highway pavement quality. I hear things about the airport pavement problem. Is there more of a problem with airport pavement?

Mr. DECARLI. It is easier to identify the problem with the airport pavement. If you look at FAA, they have some specific guidelines as to what they expect that pavement to look like in terms of what the requirements are.

On the other hand, the Federal Highway Administration leaves a lot of that decisionmaking up to each state. When you start looking at the definition of what criteria is there, it is not very rigid. It is very difficult to measure whether or not the states are complying with that criteria. We have issued reports in the past two years that discussed problems with highway payment in several states.

Mr. LEHMAN. In other words, you have more problems in highways than you have in airports.

Mr. DECARLI. It is something that we have brought to Federal Highway's attention. They are addressing it. They have a fairly large effort dealing with improving pavement quality on the highways.

UMTA GRANTS MANAGEMENT

Mr. LEHMAN. I did not want to interrupt you, but I just wanted to find out. UMTA?

Mr. DE CARLI. UMTA, we had several problems in UMTA. One of them relates to an audit that we are doing dealing with the spare bus requirements. We are looking at 10 UMTA regions, looking to see whether or not the peak period bus requirements are accurate. We found that those grant applications are often for buses that are not needed. So, that has been a problem in UMTA.

One of the issues we found when we did the vulnerability assessment related to HUD was a lack of any very specific criteria as to who gets the discretionary grants. In GAO's recent report on SEPTA in Philadelphia, one of the things that GAO noted was that there was not a good documented reason as to why discretionary grants were awarded to specific grantees and for specific projects. Those are the reasons that we listed UMTA grants as a vulnerable area.

Like in the case of the airport pavement, we are preparing an overall report to UMTA that will deal with the peak period bus requirements. In that report, we will make recommendations to the Administrator. Again, I do not know how UMTA is going to react to those.

In the regional reports that we have issued recommending better oversight of those grant applications, UMTA has disagreed. But we will be bringing it to Headquarters' attention in terms of an overall Modalwide report later this year.

The GAO has an ongoing review of the discretionary grant program. They have put it on the list of 12 high risk areas in government which they submitted to Senator Glenn last month. They are going to do quite a bit of work. We are going to be working with them, looking at the discretionary grant process in UMTA.

Mr. LEHMAN. Basically, the problem has been that the discretionary grants have gone out and the Department has not really followed this money to see that it is used correctly?

Mr. DECARLI. It is difficult to say that they have not used the money correctly. It is a question of knowing what the priorities are. Why was this grantee selected for this grant as opposed to another one.

You know, the problem in HUD was specifically that issue, the fact of people making telephone calls, and those kinds of things, to get higher on the priority list. GAO, at least, said that UMTA is subject to the same kinds of vulnerabilities without the documentation.

Mr. LEHMAN. Counsel says UMTA does not have enough staff for this.

Mr. DE CARLI. That clearly is one of the problems. They have asked for some additional resources in their 1991 budget to strengthen that and I think that clearly is one of the issues. They are a fairly small organization. Congress traditionally appropriates a lot more money to them than they ask for. And the question is: Do they have the staff to handle that?

As part of the budget process, OMB has tasked UMTA by, I think, later this summer to do a staff assessment and to report back as to what the resources will be.

Mr. LEHMAN. Up until this Administration, the UMTA administrators have not exactly been enthusiastic about their job.

Mr. DECARLI. They clearly have not been interested in increasing the staff. I think a lot of philosophical questions exist as to what their responsibilities are, how deep they need to review those grantees.

SMALL PROCUREMENTS AT TSC

Mr. LEHMAN. It seems that the Department also has problems in small procurements. Tell us what you found in your recent audit of the Transportation Systems Center. In your view, is this problem isolated to TSC or does it affect other DOT organizations?

Mr. DECARLI. We basically found five problems in the audit of TSC. We found that TSC officials were contracting with vendors without having the procurement authority to do so. They were splitting purchases to avoid procurement restrictions. They awarded orders in excess of $1,000 without adequate competition. They allowed payments to be made without proper documentation and they awarded contracts to a Small Business Administration 8(a) firm who brokered out most of the work to other vendors. He was sort of a middle man in the process.

There is no question that small purchases is an area that could be very vulnerable. It is an area that does not have very tight controls. It was not intended to have very tight controls because you are buying basically small dollar value items.

We have an audit in process looking departmentwide at the program. We will be able to tell you at the end of that audit whether or not the problems are more widespread than what we found at TSC.

DEPARTMENTWIDE AUDIT OF SMALL PROCUREMENTS

Mr. LEHMAN. Last year, you described plans to begin a departmentwide audit of small procurements. What is the status now?

Mr. DE CARLI. We have the audit ongoing in the Coast Guard. We are doing a statistical sample at 13 sites, looking at 1,900 procurements. We are about half completed with the job right now and we will have some conclusions later this year.

After we complete the Coast Guard, we expect to extend our review to FAA, MARAD, NHTSA, and OST. The Coast Guard audit in process is a major job. We are looking at a total of 1900 procurements just in the Coast Guard alone.

Mr. LEHMAN. When will the study be completed?

Mr. DECARLI. We should have a report this summer on the Coast Guard.

Mr. LEHMAN. What is the definition of small procurements as far as you are concerned?

Mr. DECARLI. Small procurements are purchases that are under $25,000. The threshold used to be $10,000. It was raised to $25,000 several years ago.

Mr. LEHMAN. And you said that is the proper level?

Mr. DECARLI. I think so, yes, sir.

Mr. LEHMAN. Do you make that statement in your study?

Mr. DECARLI. We are not really looking at whether or not the threshold ought to be higher or lower than $25,000. Our main concern is are we going out for competition? Is there documentation?

Are we getting real bids is one question. The procurement official picks up the phone and calls three people. There is no documentation other than to say, "I called three people." Do those companies even exist? That is one of the questions we want to look at.

DEPARTMENTAL FINANCIAL MANAGEMENT

Mr. LEHMAN. Given that the large majority of DOT funding is disbursed either through grants, major acquisitions or small procurements, it sounds as if there are serious issues in execution of the Department's overall financial management system. How would you rate the soundness of the Department's overall financial management system? A, B, C, or D?

Mr. DECARLI. That is a tough question. Looking at the number of reports we issue, the types of reports that we issue, you certainly can come to the conclusion that the Department has a lot of problems.

You have to look at the fact that when we do our audit work, it is very targeted. We are looking for problem areas. We usually do not try to find an area that is doing pretty well and look at that. If we think the area is doing well, we look for something else where there might be a problem. You would get a wrong impression of the Department if you just looked at it from that perspective.

Mr. LEHMAN. Your job is to look at the dark side.

Mr. DECARLI. That is right. We are looking at the dark side. You would probably get a fairer answer by looking at the vulnerability assessment that we did on the HUD issues. We looked at four things. We looked at how well the Department's fund control systems were working. We looked at whether or not there was any possibility for the use of influence in the grant approval process. We looked at computer security and, in particular, the pay systems in light of the improper disbursements that took place out of HUD in Denver. Then we looked at the guaranteed loan program. Those were the kinds of problems that existed in HUD.

For the most part, the Department came out fairly well, when we looked at those issues. So, even though we have our share of problems, I would not characterize financial management as being very weak.

Mr. **Lehman**. Have you been IG in any other department at any level?

Mr. **DeCarli**. I was in the Department of Defense for 23 years.

Mr. **Lehman**. Which is the worst?

Mr. **DeCarli**. Which is the worst?

[Laughter.]

Mr. **DeCarli**. I am not going to answer that.

Mr. **Lehman**. You plead the Fifth Amendment?

DEPARTMENTAL MATERIAL WEAKNESSES

Mr. **Lehman**. How many "material weaknesses" exist from your most recent Financial Integrity Act review? Describe each of those deficiencies and provide a comparable list for the past three fiscal years.

[The information follows:]

The following schedules identify the material weaknesses identified within the Department of Transportation from fiscal year 1986 through 1989:

Material Weaknesses Identified
in 1989

Office of the Secretary

1. Other Personnel/Payroll - The Consolidated Personnel Management Information System (CPMIS) and the Consolidated Uniform Payroll System (CUPS) are aging systems with many deficiencies.

United States Coast Guard

2. Program Management - Noncompliance with State and Federal laws relating to underground storage facilities.
3. Program Management - Noncompliance with regulations concerning aboveground fuel storage.
4. Program Management - Inadequate procedures to support scrap vs. overhaul of Cummins VT-903 engine.
5. Collection Management - Inadequate controls over the collection of user charges.

Federal Aviation Administration

6. Functional Management - Inadequate management controls to oversee the training and hiring of air traffic controllers, aviation safety inspectors, and maintenance technicians in the field.
7. Grant Management - Inadequate monitoring of airport construction materials for conformance with approved designs.
8. Program Management - Failure to properly conduct cost/benefit studies for the Advanced Automation System.
9. Functional Management - Inadequate controls of acquisition for computer systems and services.
10. Program Management - Inadequate controls in place to prevent spills of hazardous/toxic waste.
11. Functional Management - Inadequate management controls to ensure new Information Resource Management Projects are compatible with and not duplicative of existing systems.

Urban Mass Transportation Administration

12. Functional Management - Increased grants management oversight needed.

Federal Highway Administration

13. Program Management - Inadequate controls over employment of consultants on Federal-aid highway projects by grantees.

Maritime Administration

14. ADP Security - Lack of adequate disaster recovery controls.

Research and Special Programs

15. Program Management - Inadequate execution of responsibilities for inspection of high pressure cylinder facilities.
16. Program Management - Inadequate execution of responsibilities for inspection of pipelines.

Federal Railroad Administration

17. Program Management - Railroads are often underreporting injuries and accidents to FRA.
18. Program Management - FRA's Hazardous Materials Inspection Program lacks sufficient staffing and program guidelines which impair fulfillment of FRA's safety enforcement.
19. Program Management - Impairment of the fulfillment of FRA's safety enforcement mission due to the Office of Chief Counsel's backlog of untransmitted safety violations.
20. Program Management - FRA has not established effective procedures to ensure that railroads are complying with the requirements of 49 CFR 217.

Material Weaknesses Identified in 1988

Office of the Secretary

1. ADP Security - Software Access Control.

United States Coast Guard

2. Property Management - Implementation of automated inventory.
3. Program Management - Inadequate procedures to support the scrap vs. overhaul of the Cummins VT-903 engine.
4. Program Management - Hazardous waste and materials.
5. Program Management - PCB electrical equipment management.
6. ADP - Inadequate management controls to ensure new Information Resource Management projects are compatible with and not duplicate existing systems.
7. Procurement - No assurance that contract change orders are adequately funded; also Todd Shipyards/378 ft. Fleet Renovation and Modernization.

Federal Aviation Administration

8. Procurement - Inadequate controls for acquisition of computer systems and services.
9. Program Management - Inadequate controls in place to prevent spills of hazardous/toxic waste.

Urban Mass Transportation Administration

10. ADP - Information Resource Management Program Policy.
11. Program Management - Transportation of school children.

Federal Highway Administration

12. Program Management - Vehicle Weight Enforcement Program.
13. Program Management - Inadequate management controls over employment of consultants on Federal-Aid highway projects by grantees.

Maritime Administration

14. ADP Security - Lack of adequate disaster recovery controls.

Material Weaknesses Identified in 1987

Office of the Secretary

1. ADP Security - Software Access Control.
2. Financial Management - Implement prompt payment provisions.

United States Coast Guard

3. Property Management - Inventory procedures of onboard repair parts.
4. Property Management - Implementation of automated inventory system.
5. Program Management - Inadequate procedures to support scrap vs. overhaul of the Cummins VT-903 engine.
6. Program Management - Hazardous waste and materials.
7. Program Management - PCB electrical equipment management.
8. Financial Management - Imprest funds.
9. Program Management - Procedures for repair versus purchase of parts.
10. ADP - Inadequate management controls to ensure new Information Resource Management projects are compatible with and not duplicate existing systems.

Urban Mass Transportation Administration

11. ADP - Information Resource Management Program policy.
12. Procurement - Procedures.
13. Program Management - Transportation of school children.
14. Program Management - Section 18 Management.
15. Program Management - Grants Management system.

Federal Aviation Administration

16. Property Management - Depot Inventory Reconciliation.
17. Financial Management - Accounting system security.
18. Program Management - Inadequate controls in place to prevent spills of hazardous/toxic waste.

Federal Highway Administration

19. Program Management - Inadequate management controls over employment of consultants on Federal-Aid highway projects by grantees.

Maritime Administration

20. ADP Security - Lack of adequate disaster recovery controls.
21. ADP Security - Software security.
22. Property Management - Vessel spare parts.

Material Weaknesses Identified in 1986

Office of the Secretary

1. ADP Security - Contingency plans.
2. ADP Security - Develop policies and procedures in the Transportation Computer Center.
3. Financial Management - Implement Imprest Fund review procedures.
4. Financial Management - Implement IRS Form 1099 reporting procedures.
5. Financial Management - Implement Prompt Pay provisions.
6. Property Management - Identifying and accounting for personal property.
7. Procurement - Procurement clearance procedures.
8. Procurement - Closeout of contracts.
9. Procurement - Procurement request procedures.
10. Procurement - Procurement automated information system.
11. Procurement - Inadequate training of procurement staff on procedures and policy.
12. ADP Security - Identify and certify sensitive applications.
13. Financial Management - Accounting operations reconciliations.

United States Coast Guard

14. Financial Management - Security over automated accounts payable system.
15. ADP - Inadequate management controls to ensure new Information Resource Management projects are compatible with and not duplicate existing systems.

Federal Aviation Administration

16. Property Management - Depot Inventory Reconciliation.
17. Program Management - Reemphasize Permanent Change of Station Travel Voucher procedures.
18. Procurement - Procurement procedures.
19. Financial Management - Accounting system security.
20. Program Management - Inadequate controls in place to prevent spills of hazardous/toxic waste.

Urban Mass Transportation Administration

21. Program Management - Transportation of school children policy.
22. Program Management - Section 18 Management.
23. Program Management - Grants Management System.

Federal Highway Administration

24. Program Management - Inadequate management controls over employment of consultants on Federal-Aid highway projects by grantees.

SAFETY OVERSIGHT IN FRA, RSPA, AND FAA

Mr. LEHMAN. Over 20 audits in the past two years have led you to conclude that safety oversight in FRA, RSPA, and FAA has problems in some key areas. What are these issues? And is OST doing enough to provide the "increased management attention" that you called for?

Mr. DECARLI. The common thread in all three modes is a resource question: the adequacy of resources.

In FAA, part of the question is: Are they doing sufficient inspections? They recognize themselves that they are not. The question then is: Do they have enough resources? And why they do not? Looking historically, they have transferred resources from, as I said before, the support functions to the air traffic control functions. One of the places that suffered because of these transfers was the inspection workforce.

In FRA, they have very few inspectors for the hazardous material program. They have a very serious aging work force problem. Most of their people came from the railroads into FRA's work force. They do not really have, for the most part, the state-of-the-art skills that it would take to do a thorough inspection on a hazardous material loading facility.

So, they do not have those kinds of skills. They like to be on the tracks looking at trains and basically that is where they spend their time.

Those are the kinds of problems that exist in FRA.

GAO reported that they were not getting good accident data from the railroads. We also reported that they did not have a full library of operating rules, test plans, and those kinds of things, although they did have them for the major railroads.

In RSPA, it really comes down to the pipeline program, the adequacy of inspection of the pipeline program and of the HAZMAT program. In both programs they have a very small staff. They do not have a good inventory of the composition of the pipelines throughout the United States, what the welds are like, and the condition of those pipelines.

They have a responsibility dealing with inspections of master meters that they are not carrying out. In the hazardous material area, we are going to issue a report on high pressure cylinders which indicates that they are not really getting out to those companies. They do not have a priority system as to which companies they ought to be looking at or how frequently they ought to be looking at them. Those are the kinds of safety issues in RSPA.

Mr. LEHMAN. Do you think that by decentralizing some of these Headquarters positions in these agencies, it will provide better hands-on type of inspections?

Mr. DECARLI. In the 1991 budget, the Secretary has asked for $1,600,000,000 for the inspection work force. That is an 8 percent increase. I think a lot of that has been the result of the IG, and GAO, and even the Modal Administrators saying that is an area that is not getting enough attention.

Specifically in answer to your question, I can relate it to the audit that we just did on high pressure cylinders. One of the things we saw is that RSPA's work force is here in Washington. If they have to go out to the West Coast to do an inspection, you lose one day on the front end and one day on the back end, so you are losing almost two days in travel time. I think it would be more efficient, at least for that part of the world, if they had some inspectors physically located out there.

Mr. LEHMAN. Apparently, RSPA is too highly centralized. FAA is fairly decentralized.

Mr. DECARLI. That is right.

Mr. LEHMAN. Please expand on your answer for the record. Include a listing of your recommendations from these reports and whether the planned response is satisfactory.

[The information follows:]

The OIG and GAO issued 21 reports on safety oversight in FAA, FRA and RSPA during the past 2 years. A listing of the OIG reports, including audit recommendations and management actions taken, together with a listing of the GAO reports follow:-

OIG Reports

1. Report Generation and Data Integrity Problems Existed in FAA's Enforcement Information System (EIS). (Report No. AD-FA-9-006). In this report, we recommended that FAA: (a) promptly evaluate the proposed statistical/trend analysis reports and implement those which FAA agrees would be most useful for managing the agency's enforcement program, (b) identify and implement any additional statistical/trend analysis reports which can be used to better manage the enforcement program, (c) expedite the selection of new enforcement case-tracking reports to be produced by EIS, (d) reconsider quarterly production of EIS case-tracking reports in favor of a monthly production cycle for all reports, (e) follow up regularly to ensure that Regional Assistant Chief Counsels are abiding by the Chief Counsel's new policy requiring the recording of enforcement case actions within 48 hours, and (f) require production of a new EIS exception report identifying missing enforcement case numbers and, based upon that report, establish and implement a reconciliation process for following up regularly to ensure that no active cases are missing from the system.

   FAA generally concurred with all the OIG's recommendations, and either took or planned corrective actions which adequately addressed each recommendation.

2. FAA Was Not Conducting Complete Inspections and Adequately Documenting Inspection Results At Aviation Maintenance Technician (AMT) Schools. (Report No. R7-FA-9-134). In this report, we recommended that FAA: (a) redirect efforts from conducting a large number of limited-scope inspections to conducting more inspections that provide complete coverage of all 14 CFR Part 147 requirements, (b) document all AMT school inspections on the Aviation Maintenance Technician School Inspection Report, RIS 8310-4, (c) retain a copy of each RIS 8310-4 inspection report, and (d) input into the Work Program Management System, for each AMT school inspection, all relevant inspection data including the identification of the school inspected.

   FAA initially concurred with three of the four recommendation but did not fully concur to redirect inspection efforts from conducting a large number of limited-scope inspections to conducting more inspections that provide complete coverage of all 14 CFR Part 147 requirements. FAA subsequently reconsidered its position on this recommendation and has now concurred to take action as we recommended.

As I previously discussed, the safety oversight issue was identified in joint meetings with GAO where we identified significant issues requiring management attention. The GAO reports included:

FAA Staffing: FAA's Definition of Its Controller Work Force Should Be Revised. (Report No. RCED-88-14)

FAA Staffing: Improvements Needed in Estimating Air Traffic Controller Requirements. (Report No. RCED-88-106)

FAA Staffing: Recruitment, Hiring, and Initial Training of Safety-Related Personnel. (Report No. RCED-88-189)

Aviation Safety: Commuter Airports Should Participate in the Airport Certification Program. (Report No. RCED-88-41)

Aviation Safety: Measuring How Safely Individual Airlines Operate. (Report No. RCED-88-61)

Aviation Safety: Airlines Should Check Pilot Applicants' Safety History. (Report No. RCED-88-154)

Aviation Safety: Enhanced Requirements Can Improve Commuter Pilot Training. (Report No. RCED-88-218)

Railroad Safety: Reporting Time Frames and Results of Post-Accident Drug Tests. (Report No. RCED-88-120)

Aviation Safety: Serious Problems Continue to Trouble the Air Traffic Control Work Force. (Report No. RCED-89-112)

Aviation Safety: FAA Action Plan for Chicago O'Hare International Airport. (Report No. RCED-89-114)

Aviation Safety: FAA Has Improved Its Removal Procedures for Pilot Examiners. (Report No. RCED-89-199)

Aviation Training: FAA Aviation Safety Inspectors Are Not Receiving Needed Training. (Report No. RCED-89-168)

FAA Training: Continued Improvements Needed in FAA's Controller Field Training Program. (Report No. RCED-89-83)

Air Traffic Control: FAA's Interim Actions to Reduce Near Mid-air Collisions. (Report No. RCED-89-149)

Air Traffic Control: Computer Capacity Shortfalls May Impair Flight Safety. (Report No. IMTEC-89-63)

Railroad Safety: Accidents in Pennsylvania and Related Enforcement Actions. (Report No. RCED-89-52)

Railroad Safety: FRA Needs to Correct Deficiencies in Reporting Injuries and Accidents. (Report No. RCED-89-109)

Pipeline Safety: New Risk Assessment Program Could Help Evaluate Inspection Cycle. (Report No. RCED-89-107)

Hazardous Materials: Federal Training for First Responders to Highway and Railroad Accidents. (Report No. RCED-89-146FS)

POTENTIAL EMBARRASSMENTS FOR THE DEPARTMENT

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you very much, Mr. Chairman.

I join the Chairman in welcoming you here. You are very important to us. We really depend very heavily on you to avoid major mine fields in a very complex and very large agency which is making very substantial procurements.

Mr. DECARLI. Thank you.

Mr. COUGHLIN. The Coast Guard, the FAA, Highways and Mass Transit. There is a potential out there for embarrassing situations. We depend very much on you and appreciate the work you do in trying to see if we can avoid that kind of embarrassment.

I take it from what your testimony is so far, at least, that you do not see any major mine fields out there at this time.

Mr. DECARLI. Yes. We do not see anything about to explode. I do not think we have anything on the horizon that is going to get the kind of notoriety that the "Illwind" or the HUD scandal got. Our problems are, I would say, on a much smaller scale than that.

DEPARTMENTAL COOPERATION

Mr. COUGHLIN. Let me ask: Are you getting all the cooperation you need? The resources you need to examine these from the various modes and from the Department itself?

Mr. DECARLI. We are getting all the support we need. The Secretary, at his press briefing on the budget, made some very complimentary remarks about the IG organization and really indicated his support for it. I have attended staff meetings with the Secretary where he has clearly told the Modal Administrators of the need to cooperate and his expectation to have a very smooth and well running organization. That carries down to the Modal Administrators giving us the kind of support we need.

Mr. COUGHLIN. In some of the procurements, such as Highways and Mass Transit, a lot is done at a state level or a local level. Quality control, if you would call it that, is the responsibility of state and local governments.

Other things like Coast Guard acquisitions and FAA acquisitions are direct Federal Government acquisitions.

Mr. DECARLI. Yes.

Mr. COUGHLIN. Is there not a difference?

Mr. DECARLI. From our perspective, it is a lot easier to audit and review a direct acquisition as opposed to one that is made by a grantee. You get into very delicate questions as to where does the Federal role end and where does the grantee's responsibility start. Also, how much should the Federal oversight of those grantees be. That is a very tough question. Under the past Administration's policies of federalism, it was a lot of "hands off."

ADEQUATE LAW ENFORCEMENT AUTHORITY

Mr. COUGHLIN. Do you feel you have adequate authority to be able to investigate the areas that you see might require investigation?

Mr. DECARLI. Yes. There was a Justice Department decision earlier this year that raised the question as to what our investigative authorities were. Not just us, but the whole IG community. They issued a ruling that basically said that the IG's authority was limited to strictly looking at Federal personnel and programs where there were federal dollars. And that did, if that was the extent of the ruling, in fact, impair some of our investigative capabilities. For instance, we would not be able to look at whether or not an airman falsified his application.

We have gone back to the Justice Department and asked for some clarification. We received that in December and we are satisfied with that clarification. We had authorities that came when the Department of Transportation IG was created that the IG Act did not specifically provide; so, we are pretty well covered. IG investigative authority could be clarified in legislation, but we are in pretty good shape.

FULL LAW ENFORCEMENT AUTHORITY

Mr. COUGHLIN. How about your law enforcement authority?

Mr. DECARLI. That is exactly what I was talking about, the law enforcement authority question.

Now, if you are asking about full law enforcement authority and whether or not we need more authorities there, the answer is yes. Right now, there are legislative proposals on the Hill to expand our investigative authority. That issue is often presented as allowing the investigators to carry guns. From our standpoint, that is not the central thrust of the problem.

You get into the question of the ability to issue search warrants, the ability to issue arrest warrants, those kinds of things, and we do not have those capabilities. When we need to do those things, we have to go to another Federal agency that has that authority and get deputized. About half of our agents are deputized for very specific projects. It takes sometimes seven or eight weeks to get that kind of authority. Since our investigators go through the same training programs as those other law enforcement agencies, we would argue strongly that we ought to have that same full law enforcement authority.

Mr. COUGHLIN. And you have found a need for that in the Transportation IG's operation?

Mr. DECARLI. Very definitely. That is clearly indicated by the fact that about 50 of our investigators or about half of our investigators have been deputized on specific projects.

Mr. COUGHLIN. There was a bill introduced in the Senate by Senator Boschwitz. Do you have any ideas on that bill? Does it go far enough?

Mr. DECARLI. Yes, we think it goes far enough and we fully support it.

COAST GUARD SEIZED ASSETS

Mr. COUGHLIN. Just a couple of questions on specific things. Last year, it was indicated the Coast Guard was not getting their fair share from the Customs Forfeiture Fund for certain drug interdiction expenses. Is this still a problem? Who audits the assets seized? Is that the Customs' IG or is that you?

Mr. **DeCarli**. It is no longer a problem because the legislation was changed on the way that those receipts were funneled back to the agencies. At one point in time, that was strictly a Customs' decision and the Coast Guard was not getting its fair share. The legislation corrected that issue.

As far as who gets the assets of that fund, we did an audit last year. We were interested in that very same question. We looked at it from the standpoint that after the Coast Guard seizes the assets what happens to them. Some of our concerns were looking at 60 Minutes and seeing several of those seized assets in Florida taking a beating and losing some of their value. We were concerned that the assets were under Coast Guard control and were not receiving adequate protection.

When we started that audit, we found that as soon as those assets are seized and brought to shore, they become the property of Customs and we do not have any more control over them. So, their protection comes strictly under Customs.

Mr. **Coughlin**. Customs IG?

Mr. **DeCarli**. Yes, sir.

DRUG TESTING PRACTICES

Mr. **Coughlin**. Have you done any work looking at the drug testing practices in any of the modes of the Department of Transportation?

Mr. **DeCarli**. We have not done any, yet; but the Secretary in December tasked us with taking a role in overseeing or at least checking to see how well the drug testing program is working.

We are planning a series of audits looking at both how well the Department's drug testing is working and how well the programs out in the transportation industry are working. So, we have those on our plate for the upcoming year.

Mr. **Coughlin**. So, you have done nothing on that yet, but it is on your platter now?

Mr. **DeCarli**. We have done nothing on that to date.

ESSENTIAL AIR SERVICE

Mr. **Coughlin**. And have you done any work in the area of essential air service?

Mr. **DeCarli**. Yes, sir. As you know, this committee asked us to take a look at the Essential Air Service program. We issued our final report in December. That report, basically, had two primary issues. The first one dealt with the control of funds. Congress changed the legislation about a year ago to specifically indicate that there were limitations on how much could be spent on that program.

When that was done, the Department did not put in place the kind of controls that we felt were necessary to ensure that the funding limit was not exceeded. Basically, what they were doing was recording obligations at the time they were making disbursements. You can order a lot more services than you have money to pay for unless you have funding controls when you order the services. So, basically, what we said is you have to have better controls over your obligations. When you issue an order for a carrier to provide services, you ought to be obligating the funds associated with the delivery of that service. On hold ins, they ought to be doing similar type actions.

Mr. COUGHLIN. Are they doing that now?

Mr. DECARLI. They responded to our report. It was pretty positive. They are still working on the procedures that they are going to use. We have asked them to give us copies which we expect probably within the next month. I think, at that point in time we will be able to assess those, but I am pretty confident they are going to go with obligation procedures that will protect themselves from an overobligation.

The other issue we found was related to the hold in service. The issue was the kind of thing we have mentioned previously: the adequacy of the guidance that goes to the air carrier so they understand what the rules are, how they are supposed to treat depreciation, and how they are supposed to treat fuel costs when they bill the Department for EAS services. Those rules have been somewhat fuzzy. We think they ought to be clarified. It is because they are not clear that it takes a long time—in most cases, three years by the time you settle a claim with one of these hold in companies. That is an area where I think we will get some improvement too.

With respect to the question of: Is the program efficiently run? There is not a lot of money you can squeeze out of it. We are delivering services to the places that Congress has authorized. We have a fairly good system for awarding those contracts.

If you are going to save any money, it basically comes from eliminating two-hub service to some of the cities. That is the biggest savings that we saw.

FALCON JET PERFORMANCE

Mr. COUGHLIN. I know we will get into some other questions on the Coast Guard later, but let me just ask about the Falcon Jets. I note the request of the Committee on Government Operations, you have been looking at performance.

Mr. DECARLI. Right.

Mr. COUGHLIN. What have you found?

Mr. DECARLI. On the Falcon Jets, as you said, we are looking primarily at performance. The Falcons have had engine problems since the day the Coast Guard got them. The Coast Guard established an acceptable rate for non-mission capability at 29 percent. Historically, their non-mission capability rate has been a lot higher. It has been running 45 percent over the last three audits and that applies only to the aircraft that are not being used for drug interdiction. So, the goal is 29. They are hitting 45 percent on those aircraft.

On the aircraft that are for drug interdiction purposes, there are about 9 aircraft, they are running much better. They are below the non-mission performance goal that the Coast Guard established. They are at about 28 percent.

Mr. COUGHLIN. Why is that?

Mr. DECARLI. The Commandant made a very firm commitment to Congress when he put radar packages on those 9 aircraft, that he would keep them flying. They get a lot of priority. If it takes cannibalization of other aircraft to get the spare parts to keep one of those drug aircraft in the air, that is done. So, they are taking some extraordinary steps to keep those aircraft flying.

Mr. COUGHLIN. Why cannibalize?

Mr. DECARLI. That is what you have to do to get the high performance levels on the ones that are used for drug interdiction.

You are going to see some improvement here in the near term. The contractor, Garrett Engine, has, in fact, rebuilt a number of engines. We are starting to get some spares. So, the program is going to turn around and we are going to see some improvement in the use of those aircraft. But it has been a long time coming.

Mr. COUGHLIN. It sure has.

Do you think there is some light at the end of the tunnel?

Mr. DECARLI. We are finally going to see some light at the end of the tunnel on that program.

Mr. COUGHLIN. Thank you, Mr. Chairman.

PERMANENT CHANGE OF STATION RELOCATION ASSISTANCE

Mr. LEHMAN. Thank you, Mr. Coughlin.

In a recent audit, you found that the permanent change of station relocation assistance program incurred over $9,000,000, in unnecessary costs because DOT was not requiring employees to attempt to sell their homes before requesting relocation assistance. Would you explain your results and why FAA did not agree with your estimate of savings? And that is mostly dealing with the relocation of some of the air traffic controllers?

Mr. DECARLI. Yes. It is the PCS transfers when we move people from place to place. One of our concerns is that the PCS cost, the cost to transfer an employee from place to place when it involves real estate, has gotten very expensive. A $60,000 to $70,000 expense on a PCS move is not unusual anymore.

Mr. LEHMAN. Per person per transfer?

Mr. DECARLI. Per person per transfer when it involves a real estate transaction, when you are selling real estate or buying real estate. And that is very expensive. So, we were wondering whether or not the contractor who we have involved in this program was making an exorbitant profit. The employee can go directly to a contractor and say, "You take my house and it is your responsibility to sell it," rather than putting it on the market, himself. That is why we did the audit.

We found that was that the contractor was not making exorbitant profits on these contracts. But we did find that there were some opportunities for reducing costs. We concluded that if we gave people better notice on the PCS, if we gave them at least 60 days notice, and required them to go to a local real estate firm that would charge 6 percent in those markets where you had a good market condition and you could sell the house, we would not have to turn it over to the contractor. When it is turned over to the contractor, those costs can be as much as 35 percent, depending on how long they have to hold that house.

Mr. LEHMAN. This is no different than IRS transfers or any other transfer. Is this worse than some of these others?

Mr. DECARLI. No. I think we are all in the same boat anymore. It is just very expensive when you have to sell real estate.

Mr. LEHMAN. You sell on a seller's market and you buy on a buyer's market.

Mr. DECARLI. Right.

Mr. LEHMAN. Is there any difference in the way DOD did it in your experience?

Mr. DECARLI. No. DOD has basically the same relocation program as the Department of Transportation.

Mr. LEHMAN. It is the same problem.

Mr. DECARLI. Sure. Their employees can turn over the house directly to a real estate company. And when that happens——

Mr. LEHMAN. And they do have the same problems.

Mr. DECARLI. I would assume they do.

You asked the question about the savings number, the $9,600,000, and why it was not agreed to. That $9,600,000 was based on early budget estimates and how much the Department was going to ask for PCS moves. It was also calculated at a time when the real estate market was fairly good in Washington, San Francisco and in places like that.

The FAA came back and said, "We are not going to ask for that much money. The market is not as good as it was." We have come to an agreement based on a second look that a realistic estimate of savings is probably in the $2,000,000 range.

CONTRACT DEFINITIZATION

Mr. LEHMAN. You have also noted significant Departmentwide problems in contracts management. For example, contract modifications by FAA and the Coast Guard were not being "definitized" in a timely fashion. What is meant by definitization, and why should it be done on a timely basis?

Mr. DECARLI. Definitization is where the contractor and the Government come to an agreement as to what the price of that work is going to be. It is important to do it quickly because if you let the contractor continue to work, you have given him a task to do but you have not given him a price as to how much you are willing to pay and how much he is willing to charge, and he continues to incur costs. Historically, contractors are reimbursed for costs they incur plus a reasonable profit.

So, until you definitize that contract, the contractor really has no incentive to minimize the costs that he is going to incur on the work. That is why it is important to do it quickly.

Mr. LEHMAN. Changes are made in the specifications, and during the process the lawyers sit around the table and the price goes way up.

Mr. DECARLI. Sure. That is a problem that happens very frequently. For example, in the Coast Guard FRAM program, the delay and disruption cost became very significant.

Mr. LEHMAN. It becomes an open end contract.

Mr. DECARLI. Yes, sir.

Mr. LEHMAN. Your audit stated that FAA and the Coast Guard paid significantly higher prices for modifications that were not definitized in a timely manner. How much extra was paid, and what is needed to ensure that such problems are not repeated?

In other words, can you draw specifications that will stay in place for the term of the contract?

Mr. DeCarli. It is best that you have a good tight specification and that you do not have to make any modifications to that contract after it is awarded. That is the ideal situation. When you do not have that situation and you have to modify the contract, the best thing to do is to agree up front as to what the cost of the modification is going to be. If you cannot do that, then you ought to at least try to definitize it as soon as you can thereafter. You surely should not give the contractor a blank check. You need to give him some kind of limitation in the contract to say, "This is as much as you can spend without my approval".

In the audit report we issued, we had several examples of cost increases. In FAA, we cited three modifications to the Systems Integration contract. Two of them took one year to process and one of them took three years. The modification, when it was signed, was for $222,000,000. Because it was not definitized, FAA was in a poor position to negotiate the cost of the modifications.

Mr. Lehman. Well, if I were a contractor, I would bid low on the contract and make my money on the modifications.

Mr. DeCarli. There are some people that do that. In the case of the Systems Integration contract, the final price of $222,000,000 exceeded the Government's estimate for that work by $91,000,000.

In the Coast Guard, we looked at the 270-foot cutter. In that case, some of the modifications were not definitized for five or six years. It was only after the contractor came in with a claim that the contract modifications were actually issued and definitized. We estimated the additional cost to be about $13,000,000.

Mr. Lehman. It is probably worse in the weapons programs.

Mr. DeCarli. It probably is.

The FRAM was a case where the Coast Guard did not put financial limitations on the contractor. When they issued the modifications, rather than telling the contractor, "You cannot proceed with work beyond a certain amount," what they ended up saying was, "We will pay not less than . . ." That is like giving the contractor a blank check. They have fixed that problem.

CLOSING OUT CONTRACTS

Mr. Lehman. In an October 1989 report you found that contracts were not being closed out in a timely manner, and that $14,300,000 in excess funds remained on contracts even after those contracts had been closed, resulting in unnecessary obligations. Tell us about this problem.

Mr. DeCarli. We did that audit at eight locations and we found problems at five of the eight. We looked at 352 contracts, and of those, 173 were not closed in the time that they should have been, and some of them by as much as three years.

Basically, the criteria is that if it is a fixed priced contract, it ought to be closed six months after delivery. If it is a cost type contract, three years after physical receipt of the goods. They were not closing them out timely. Of the $14,000,000, $12,300,000 could have been deobligated. The other $2,000,000 was on contracts that were previously closed.

Mr. LEHMAN. This is not an underrun problem? Is this a result of underruns?

Mr. DECARLI. It could be the result of quantity underruns. Where you have a contract that is requiring delivery of gravel, for example, and you make an estimate of how much you think you are going to need to finish a road. You might use actually less than that, yet, the road is finished; so, you have some funds left. The job is done, so you need to take action to close the contract.

DISADVANTAGED BUSINESS ENTERPRISES

Mr. LEHMAN. Last year, we discussed your investigation of abuses involving Disadvantaged Business Enterprises. Although last year you stated that "the states have been very effective in weeding out false fronts" but we note that your most recent Semiannual Report includes three new investigations. Clearly, the problem has not gone away. What more needs to be done to pressure the less effective states to step up their enforcement in this area?

Mr. DECARLI. You are always going to see some cases in our Semiannual Report where we have false fronts. It is almost an impossible thing to completely stamp out. In 1987, the Congress passed legislation that would make the states more responsible for overseeing the program. The Department of Transportation intended to and was supposed to issue guidance that expanded on that legislation. They were supposed to describe, for example, the frequency which onsite reviews should be done by the states. They were to describe what kind of organizational reviews ought to be done as part of the prequalification. That guidance has not yet been issued. It is our understanding that it is in process. That guidance needs to be issued and then we need to make sure that it is enforced.

Mr. LEHMAN. Is the problem getting worse or better or just hanging in there about the same? Or can you tell?

Mr. DECARLI. Rae, can you answer that one?

Mr. SCOTT. The statement that the states are taking a more active part is accurate. Those three investigations that we cited in the Semiannual are ones that the hotline referred to the various states and they took decertification action.

The last time we had a listing of DBE contractors, 40,000 were listed in the directory. There have been 10,000-plus Federal-aid jobs let by Federal Highways and the state highway departments over the years. As long as it is to someone's economic advantage to get a preferential treatment as a DBE or WBE, there will be ways that people will look at getting around the requirements. You have to keep a reasonable enforcement level going on the part of the states and we will keep it at that level.

It would be very difficult to say if it is worse or better in the aggregate at this time. I think the states are taking more effective means of oversight.

Mr. LEHMAN. At what point is a minority business enterprise no longer a disadvantaged DBE?

Mr. SCOTT. There was a graduation factor put in the last legislation. And I think $35,000,000 gross a year is the graduation point, which is fairly high.

[NOTE: Per the legislation the definition of a DBE is limited to small business concerns with average annual gross reciepts over three years in excess of $14 million.

Mr. LEHMAN. Yes.

Mr. DECARLI. That is a fairly large enterprise.

Mr. LEHMAN. I would like to be a disadvantaged DBE.

[Laughter.]

Mr. LEHMAN. I think that what you are telling me is that maybe that threshold should be lowered. Give it to the people that really need the help.

Mr. SCOTT. Yes, sir. I think that it is pretty big business.

Mr. LEHMAN. Is that a law? Is that legislation or regulation?

Mr. SCOTT. Yes, sir, that was in the last Highway Reauthorization Act.

Mr. LEHMAN. Please expand on your answer for the record, and update the table shown on page 191 of last year's hearing.

[The information follows:]

As I stated in my testimony, the legislation passed by Congress in 1987 to put more oversight responsibilities for the DBE program on the states was a necessary and appropriate first step. However, DOT needs to finalize and issue guidance to expand upon and implement this legislation. This would establish and describe the frequency with which the states should conduct there on-site reviews. Second, such guidance would determine and explain the nature of organizational reviews to be performed by the states as part of the pre-qualification of prospective DBEs.

It is our understanding that the DOT guidance is in progress. When implemented, we feel these procedures will bring uniformity to the oversight responsibilities required of the states, thus increasing the effectiveness of our DBE program. After implementation of these rules, DOT must take appropriate action to ensure the states' continued compliance.

The following is an update of the statistical data on page 191 of last year's hearing. In FY 1987 and 1988, 103 DBE related complaints were received by the OIG. Seventy were referred to state agencies, ten went to modal administrations, two were referred to external administrations, and we undertook investigations on twenty-one of the complaints. Of the 103 complaints, 26 resulted in decertification of the DBE contractor, 59 were unsubstantiated, and 18 were pending at the end of FY 1988.

In FY 1989, 32 DBE related complaints were received by the OIG. Twenty-eight were referred to state agencies, and we undertook investigations on four of the complaints. Of the 32 complaints, 7 resulted in decertification of the DBE contractor, 17 were unsubstantiated, 1 was converted to a reactive investigation, and 7 are still pending.

So far in FY 1990, we have received seven DBE complaints. Six were referred to state agencies, and one to our audit staff. Of the seven complaints, three DBEs have been decertified, two complaints were unsubstantiated, and two are pending.

Mr. LEHMAN. For the record, please summarize your findings and list your recommendations, the management response, and your evaluation of that response for your recent DBE audits of region 3 and region 6.

[The information follows:]

Region 3 audit report: We found that significant weaknesses existed in the management and control of D/WBE Programs in each of the three State Highway Administrations (SHAs) reviewed in Region 3. Of 63 firms certified by three states, 18 firms either (i) were controlled by nonminorities through affiliation or interlocking management agreements, (ii) lacked the capacity to manage or control daily operations, (iii) had questionable capital contributions, or (iv) did not perform a commercially useful function. As a result, program accomplishments were overstated by $29 million. Further, because one SHA had not followed FHWA reporting procedures, program accomplishments were overstated by $2.8 million.

We recommended that the FHWA Regional Administrator:

1. Require SHAs to comply with Federal regulations to make home office visits and review key financial documents.

2. Establish procedures to coordinate names of applicants denied certification/decertified to all SHAs in the Region.

3. Require SHAs to submit amended reports showing reduced accomplishments.

4. Require SHAs to review D/WBE eligibility of questionable firms and decertify the firms unless found to comply with the program.

In response to the report, FHWA said that it was studying several methods for sharing data on firms denied certification/decertified and will continue to monitor the states' compliance with certification requirements. The 18 firms were reexamined and 10 were decertified, 2 were pending redetermination, and 6 were found to be eligible. The Region did not initiate action to amend the reported accomplishments because such action would be in conflict with existing FHWA Policy.

We are satisfied with the corrective actions taken on Recommendations 1, 2, and 4. FHWA did not take any action on Recommendation 3. We did not view the disagreement on this issue as significant enough to pursue the issue through the Departmental resolution process.

Region 6 audit report: We found that the D/WBE Program in FHWA Region 6 was not supporting the fullest possible participation of bona fide minority and women-owned businesses. A review of the states' D/WBE Programs showed that: (i) 15 ineligible D/WBEs in Oklahoma and Louisiana received 188 contract commitments totaling $10.9 million during 1987 and 1988; (ii) 4 of Oklahoma's nearly 200 D/WBEs received 51 percent of all D/WBE contract payments, and a firm in Texas received contracts of $15.3 million, or 13 percent of all 1988 commitments; (iii) prime contractors received program credit of $15 million on nine Texas projects and about $700,000 on three Louisiana projects for work that was not actually performed by D/WBEs; and (iv) Louisiana fell short of its 10-percent D/WBE participation goal in 1988. Texas would also fall short if reported accomplishments were adjusted for contractor abuses.

These conditions exist because SHAs have not carried out their D/WBE Program responsibilities. FHWA Region 6 is aware of the states' shortcomings and has attempted to motivate the states to improve their programs by not participating in certain project costs. However, this approach has not been successful in bringing about systemwide changes in the manner in which the states administer the program. Also, three of five states operated under D/WBE Programs in 1987 and 1988 which did not fully conform to minimum requirements and the region had not completed its annual reassessment of the D/WBE Program until 2 to 11 months after the program year had started. The region had not enforced the deadlines for update and submission of D/WBE Programs by the states. These untimely updates also contributed to the other program weaknesses reported.

We recommended that FHWA Region 6 pursue a more comprehensive approach in the enforcement of D/WBE Program responsibilities. The FHWA Region should notify the states of areas where improvements should be made in the program's administration and initiate enforcement action when a state does not assume its responsibilities. We also recommended that states tighten controls over the program update process and correct the deficiencies that exist within the states' program documents. Region 6 should also take actions to tighten controls over the D/WBE Program update process by establishing deadlines for submission and review.

FHWA officials generally agreed with all nine recommendations and have taken or are in the process of taking appropriate corrective action.

YEAR END SPENDING

Mr. **Lehman**. The Department is spending about 40 percent of its procurement funds in the fourth quarter of the fiscal year. As you know, this is well above OMB rules, which exist to prevent year-end spending "binges". Which modes are exceeding the spending limitation, and what is being done to bring them into line?

Mr. **DeCarli**. OMB is trying to keep fourth quarter spending to the average spending rate of the first three quarters. As you had indicated, the Department of Transportation is spending over 40 percent of its procurement funds in the fourth quarter.

Six modes were exceeding the OMB goal: FAA, Coast Guard, MARAD, NHTSA, St. Lawrence Seaway, and FRA. MARAD was the worst, spending about 66 percent of their funds in the last quarter when we did the audit. We did not find any wasteful spending. Basically, what they were buying was needed. The problem, as we saw it, was the lack of a good advanced acquisition program. To fix the problem, more emphasis has been placed on development of good advanced acquisition plans. The Assistant Secretary for Administration has asked each of the Modal Administrators to submit an action plan on how they are going to correct the problem.

DBE THRESHOLD

Mr. LEHMAN. Let us revisit that threshold on the DBE's. It has nothing to do with the profit level. It has to do with the volume of business.

Mr. DECARLI. Gross.

Mr. LEHMAN. I cannot imagine a business that does $20,000,000 or $10,000,000—some businesses like a fence builder that does $10,000,000 is not disadvantaged. And also by having such a high threshold, it multiplies your job and you really cannot watch out for the people you are supposed to be watching out for. You would be able to concentrate your efforts on the false fronts if it was down to $5,000,000 or $10,000,000. Would that not be better for your job?

Mr. SCOTT. Actually, this is the first time that we have had a graduation point.

Mr. LEHMAN. It was just wide open?

Mr. SCOTT. It was wide open. All you had to do was be in a minority group that was identified. The answer to your question is, yes, it would be helpful.

Mr. DECARLI. As you squeeze that threshold, fewer companies are eligible to participate. You have 40,000 DBEs now, but by lowering the threshold, the number eligible would naturally decrease.

Mr. LEHMAN. And, of course, our Subcommittee cannot do anything about it, but we can certainly point attention to it.

LIBRARY AUDIT

Mr. LEHMAN. Please discuss the findings of your recent audit of the DOT library, and describe your recommendations and estimated monetary savings.

Mr. DECARLI. Libraries are very important. We are not only looking at the Library. We are looking at a lot of the functions that make up the Department's working capital fund, such as the printing function, and computer time sharing as well as the Library. When we looked at the library, we found that it is about a $3,000,000 operation with about a third for actual space. It is in a building that probably costs $30 a square foot for the space. So, what we looked at was: Do we need all the space that we are currently occupying? Do we need all the documents that are in there?

We looked to see when some of those documents were last used, whether or not you can use microfiche instead of hard copy, and whether or not all the space was used adequately. We found that the top and bottom shelves of each of the cabinets were not used and there were opportunities to reduce, to weed out all of the unneeded documents, to use microfiche, and to get rid of a lot of dust.

Mr. COUGHLIN. A lot of dust in there.

Mr. DECARLI. That is exactly right. A lot of dust. They are taking action. They have already weeded out a number of documents and made space reductions of 3000 square feet, cutting down the cost of the Library by $81,000 a year in leased space. They also are doing a lot of other things. I think you will be very satisfied with the actions that they are taking with respect to the Library.

PROTECTIVE AUDITS

Mr. LEHMAN. This will be one of those productive book-burning deals. What are you finding generally in your protective audits? Does this work need to be increased?

Mr. DECARLI. The Department has about 2,800 small activities. We started protective audits in 1987. The purpose of the protective audit is to go to those small activities that rarely see an auditor. As a matter of fact, you can go to some small Coast Guard stations and they are not even aware yet that they are a part of the Department of Transportation. We are looking at how well the business type functions of those organizations are working. What we are looking at are things like vehicle usage, imprest funds, controls over property, timekeeping, and payroll.

We have reviewed about 10 percent of the 2,800 activities to date and, basically, we are not finding big issues. Every once in awhile we come across a fraud or something like that, but they are mostly noncompliance kinds of issues. We found at about half the activities time and attendance problems exist. There, the questions are: Do you have the same person who is maintaining the time cards signing the time cards? Is it maintained on a daily basis? Those kinds of things. With travel voucher preparations, it is usually the mundane kind of problem, compliance.

There is not a lot of risk associated with these organizations. Therefore, with our current coverage, we think we are probably giving them the amount of attention they deserve.

Mr. LEHMAN. But some of these small things can balloon up to something big.

Mr. DECARLI. That is true. What we did last year for Coast Guard, Federal Highways, and FAA was analyze all of the protective audits done for those modes. We looked at the kinds of recurring problems and we issued a summary, advisory report which said, "At half the places we go we find this kind of problem. You ought to at least be putting out an advisory to those other 2,600 that we have not been to, yet. Tell them that these are recurring problems that we keep finding and they ought to look at themselves to see whether or not they have the same problem."

So, we have at least taken the process one step beyond just auditing 200 activities.

Mr. LEHMAN. Yes. Walking around money is hard to keep track of. Expand on your answer for the record, citing relevant recent statistics on protective audits.

[The information follows:]

Since the inception of the Protective Audit Program on March 1, 1987, the OIG has conducted 241 protective audits. These audits have identified 675 internal control weaknesses and other deficiencies that have resulted in missing equipment and property, misuse of government benefits, loss of government funds, and improper small purchases. The following schedule summarizes the results of protective audits from March 1, 1987 to February 2, 1990 by operating administration:

SUMMARY OF PROTECTIVE AUDITS DEFICIENCIES MAR. 1, 1987 TO FEB. 2, 1990

Modal administration	Number of reports	Deficiencies								
		T&A[1]	Travel	Inventory control	Vehicle Utilization	Small purchase	Property records	Imprest fund activities	Other	Total
FAA	145	97	78	15	54	40	55	20	44	403
FHWA	12	8	9	3	2	5	5	2	5	39
USCG	61	9	12	12	26	21	41	8	31	160
UMTA	5	5	5	0	2	0	2	0	0	14
NHTSA	5	3	2	1	3	3	2	0	2	16
MARAD	3	3	1	1	0	1	3	1	3	13
RSPA	3	2	2	2	0	0	2	0	1	9
FRA	5	3	4	0	1	2	2	0	0	12
OST	2	2	2	2	0	1	2	0	0	9
Total	241	132	115	36	88	73	114	31	86	675

[1] Time and Attendance

VALUE ENGINEERING

Mr. Lehman. The department is apparently not implementing value engineering concepts as required by OMB directive. Would you explain exactly what VE is and how it leads to cost savings, and why the DOT is not using it fully?

Mr. DeCarli. You are probably the expert on VE, Mr. Chairman. You sent the letter recently to the Department asking that very question. The Department's response was that they clearly need to do better on the subject. Value engineering is the process where you take a look at a function or at an object to see whether or not it can be designed more efficiently and still perform the same kind of function. You are looking for gold plating, whether or not other kinds of materials can be used, and whether other manufacturing processors exist for a construction process that will result in a lower cost. It was not being used in the Department because there was some finger pointing between OST and the Modal Administrations. OMB issued a circular and the Modal Administrations said they did not have to do anything until DOT issued implementing guidance. That was one of the issues.

There is also doubt in some people's minds as to whether or not applying value engineering on major acquisition programs is worthwhile. Clearly, history has shown that in the construction industry savings have resulted.

Mr. Lehman. Does value engineering prevent gold plating?

Mr. De Carli. Does it prevent it? It surely takes it one step beyond just accepting the design as it was. It won't eliminate it. It gives you a better chance, and at least it gives you the opportunity to make a conscious decision as to whether or not you want that feature, and whether you're willing to pay that price for it.

FAA NAS PLAN—VALUE ENGINEERING

Mr. LEHMAN. In particular, FAA has exempted the $25 billion NAS Plan from using VE. Is this a good idea?

Mr. DECARLI. First of all, I have to give FAA some credit. They have a value analysis program which is different than value engineering. In the value analysis program, FAA gets an independent team together and looks primarily at the requirements data. For that, I have to give them some positive strokes.

On the value engineering side, they don't apply it to their NAS Plan projects. I believe it would be useful to apply it. It gives you, as you say, the second look to eliminate gold plating, to eliminate unnecessary features. So we ought to apply it to the NAS Plan projects.

Mr. LEHMAN. Wouldn't this significantly reduce possible cost savings?

Mr. DECARLI. It could identify cost savings, yes. It's difficult to say how much, because most of the historical data is related to the construction of facilities rather than major acquisition items.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

VE is a process for reviewing plans, designs, and specifications of programs and projects so that costs can be reduced without sacrificing essential functions and other operational requirements. It leads to cost savings by having an independent team take a fresh look at the plans, designs, and specifications of programs and projects to see if objectives and requirements can be obtained for less cost. An independent team will review the project to determine if (i) the project can be designed more efficiently and still perform the same kind of function, and (ii) other kinds of materials, techniques, and manufacturing processes can be used to lower costs.

The Department has endorsed the use of VE in direct and grantee construction as well as in other programs and activities. DOT VE policies were established in 1987 in DOT Order 1395 for direct construction and grant programs. However, recent and ongoing audits showed that these VE policies were poorly implemented or not implemented among the Modal Administrations. As of January 1990, neither OST nor the Modal Administrations we audited had formally implemented OMB Circular A-131 (which was published in January 1988).

As discussed in the testimony, VE can have an impact on gold plating but it will not necessarily eliminate it. It gives management a better opportunity to ferret out unnecessary features and other costs during the VE process by an independent review team.

It was not a good idea for FAA to exempt VE in NAS Plan acquisitions. FAA has not implemented VE policies established in Circular A-131. The effect of this is that no FAA directive exists requiring that VE be applied to major acquisitions in the NAS Plan. To its credit, FAA has established a value analysis program to minimize the cost of upgrading the NAS. Although this value analysis program is beneficial, it does not meet the requirements of or achieve the potential benefits from a VE program as required by Circular A-131. We believe that the use of VE could provide significant savings to the NAS Plan.

Mr. LEHMAN. FAA also exempted its regional and field offices from using value engineering. Doesn't this also significantly reduce potential savings?

Mr. DECARLI. The answer there is yes, too. Probably more there, because historically what those regional and field offices are doing is actual facilities construction, and that's where the payoff has been in the value engineering program.

Mr. **Lehman**. For the record, provide statistics on cost savings from past VE programs, estimated additional savings if the scope of VE were expanded, your report recommendations, and the status of resolving your findings.

[The information follows:]

We do not have cost savings from FAA in accordance with OMB Circular A-131, since FAA had not yet implemented this Circular. FAA was also ineffective in complying with VE contract clauses as prescribed in the Federal Acquisition Regulations (FAR).

The dollar value of airport grants on which VE could have been applied totaled $1.3 billion in Fiscal Year 1988. The airport grants deal with actual facilities construction and that is where the payoff has been in VE programs. According to the General Accounting Office, VE has the potential for savings of 3 to 5 percent of total project costs. The Society of American Value Engineers stated that savings of $10 to $20 per dollar invested in VE are not uncommon.

We have issued a draft report on FAA's VE program. We recommended FAA:

- Establish policies and criteria for requiring VE for major construction and acquisition programs.
- Establish a VE program to coordinate the use of VE within FAA. The program should identify an individual responsible for VE and provide training for FAA employees and grantees. The program should advocate the use of VE both in-house, by grantees, and by contractors.
- Schedule training sessions for senior management in the use and benefits of VE.
- Establish controls to ensure that required VE contract clauses are included in solicitations and contracts as required by the FAR.
- Report this material weakness (non-compliance with regulatory requirements) to the Secretary when preparing the annual report under the Federal Managers' Financial Integrity Act.
- Initiate a structured VE implementation plan to actively promote the use of VE techniques at the grantee level.
- Provide training and promotional efforts needed to encourage grantees to establish structured VE programs, and demonstrate FAA support of the VE concept by fulfilling those needs.
- Conduct on-site reviews and evaluations of grantee VE programs to promote, expand, and improve VE implementation.
- Establish and maintain an inventory of projects which could be subjected to a VE study to aid in monitoring the progress of VE implementation.
- Request grantees to conduct VE studies for all significant contracts (e.g., exceeding $1 million), and advise FAA of the reasons for negative determinations.
- Review completed VE reports and monitor grantee acceptance of recommendations to ensure maximum utilization of Federal grant funds.

Currently, we are waiting for the FAA response to the draft findings and recommendations. The reply is due on March 19, 1990.

USE OF VALUE ENGINEERING

Mr. **Lehman**. Mr. Coughlin?

Mr. **Coughlin**. If value engineering is so good, why don't they use it? I don't understand.

Mr. **DeCarli**. To do a good value engineering analysis takes a talented team, and it takes time. A lot of times they're in a hurry, wanting to get the specifications on the street and the acquisition process going. What you're probably going to find, too, is historically there's been a reluctance to accept VE reductions. When a program manager puts together his specifications, he's very reluctant to delete anything.

Mr. **Coughlin**. Is value engineering expensive to do?

Mr. **DeCarli**. You have to pick and choose where you're going to do it. You have to find projects where there is at least the potential for savings. There are techniques for doing that. There are criteria that you could apply to a project to determine whether or not it should be subjected to a value engineering analysis. You surely don't want to do it on every project. It has to be very selective.

Mr. **Coughlin**. Thank you, Mr. Chairman.

LAW ENFORCEMENT AUTHORITY

Mr. **Lehman**. Mr. DeCarli, last year we discussed your need for greater law enforcement authority, which requires additional legislation. Such a bill was introduced on February 6, 1990, in the Senate, sponsored by Senator Boschwitz. What are your views on the Boschwitz bill—does it go far enough?

[The information follows:]

I strongly support the February 6, 1990, proposed legislation, S. 2080, to provide full law enforcement authority to criminal investigators in the Offices of Inspectors General as introduced by Senators Rudy Boschwitz (R., Minnesota), Dennis DeConcini (D. Arizona), and Dan Coats (R., Indiana).

This bill very adequately addresses and resolves many of our long standing concerns by providing the authority to obtain and execute search and arrest warrants. It would also empower our special agents to make arrests without warrants under certain limited circumstances and carry and use firearms. Our investigators already have complete training to support full law enforcement authority, and today's OIG mission frequently calls for this authority. Senator Boschwitz noted that this legislation has no cost involved and cited the National Advisory Commission on Law Enforcement's figures, which estimate an annual savings of approximatley $4,000,000.

Full law enforcement authority would eliminate the need to obtain special deputations, a cumbersome and time-consuming process which has impeded our ability to conduct investigations in a timely manner and provides authority only for a specific investigation. Similarly, it would no longer be necessary to request outside agency assistance, which has frequently produced untimely results, as our investigative priorities are not necessarily theirs.

I believe that the proposed legislation, which would amend the 1978 IG Act, would provide all the law enforcement authorities necessary for IG special agents to safely and effectively accomplish their missions.

ADMINISTRATIVELY UNCONTROLLABLE OVERTIME

Mr. **Lehman**. We understand that the recent passage of legislation affecting administratively uncontrollable overtime may pose retention problems for your staff (Public Law 101-173). What is the problem? How much funding would be required in fiscal year 1991 to provide an adequate amount of administratively unbudgeted overtime, and is this included in your budget request?

[The information follows:]

The new legislation will increase the rate at which administratively uncontrollable overtime (AUO) may be paid. The present law, which will change on September 31, 1990, sets the maximum AUO payable to law enforcement personnel at 25 percent of the base hourly rate of General Schedule grade 10, step 1. The new system will allow payment up to 25 percent of the earner's actual grade and current step.

AUO is particularly beneficial in a law enforcement context, in that most overtime cannot be forecast and approved in advance. It is a satisfactory means of compensating investigators when unexpected, longer workdays are needed for situations such as meeting with informants, conducting surveillances, or working with prosecutors during trial preparation. It is also a strong recruitment and retention incentive among government law enforcement organizations.

AUO is authorized and paid at fixed, incremental allowances of 10, 15, or 25 percent of an agent's current salary rate, depending on the estimated number of overtime hours involved. The following table shows the additional funding needed to pay AUO to our criminal investigators at these rates: $250,000 additional to fund AUO at 10 percent; $550,000 additional to fund AUO at 15 percent; $750,000 additional to fund AUO at 25 percent.

ESSENTIAL AIR SERVICE AUDIT

Mr. LEHMAN. For the past several years we have discussed continuing problems in the management of the Essential Air Service Program, particularly relating to hold-in claims. Last year Mr. Melchner told us you had an ongoing audit of EAS. What did you conclude from this audit?

[The information follows:]

The audit showed that the Office of Aviation Analysis (OAA) had generally managed and controlled the EAS Program efficiently and economically. The audit also showed that final settlements of carriers' hold-in claims were reasonable, fully supported and documented, and made appropriate use of OIG audit reports. In addition, determinations of eligible EAS points were found to be in conformance with statutory criteria. However, the audit showed a need for (i) improved procedures for recording obligations of EAS funds because EAS funds were obligated when disbursements were made to carriers rather than when EAS orders were issued, (ii) detailed guidance to hold-in carriers for preparing claims for incurred losses in compliance with hold-in orders, and (iii) written procedures for monitoring carrier performance and reviewing carrier's final hold-in claims as well as monthly hold-in and regular subsidy billings.

Additionally, we presented for OAA consideration two other EAS program issues which have the potential for realizing estimated savings of $4.38 million. Limiting subsidized air service to only one connecting airport (hub) at 15 EAS points currently receiving service to two hubs is estimated to save $3.26 million annually. Awarding service agreements to the lowest bidder or for the lowest cost service option is estimated to save the remaining $1.12 million.

OST officials generally agreed to establish new obligation procedures, develop additional guidance for preparing hold-in claims, and prepare written procedures for monitoring carriers' performance and billings. A response to the final report has been requested so we can assess whether planned actions and estimated target dates for completing corrective actions will be fully responsive to our recommendations.

COAST GUARD QUARTERS FIFTEEN RENOVATION

Mr. LEHMAN. Mr. Coughlin, would you like to do some Coast Guard questions?

Mr. COUGHLIN. Certainly, Mr. Chairman.

You recently investigated a hotline complaint of irregularities in the costs to renovate Coast Guard Quarters Fifteen on Governor's Island in New York and concluded that: (1) the Coast Guard personnel circumvented procurement rules to evade allowable limits on expenses; (2) that they did not establish a budget for the project or monitor its costs and (3) they permitted the current tenants to be inordinately involved in selecting materials and directing the work, resulting in excessively luxurious improvements to the quarters. These included solid brass chandeliers, a custom made vanity, solid oak cabinets with glass doors.

What went wrong with the Coast Guard procurement system to allow such abuses to occur? What did the project cost and what is the dollar threshold for such projects?

Mr. DECARLI. The Chief of Staff established a $50,000 limitation for that project, but that limitation was not adhered to. They used the wrong—I'll say color of money. Rather than using rehabilitation funds, they used maintenance funds. When they did that, they took the project out of the normal control system that would apply.

If it was rehabilitation funds, the project would have gone through a review board, the specifications would have been more thoroughly reviewed, and there would have been better controls over the project. Because it was maintenance funds, it was not subjected to that kind of a review process.

The project, as I indicated, was supposed to cost $50,000; it actually cost $250,000. That included some things like asbestos removal that really were not part of the $50,000 limitation. There was no threshold for maintenance. For rehabilitation, the planning board had to review any project over a $100,000 threshold.

The Commandant of the Coast Guard has solved the problem. He issued a policy that regardless of whether operating money or rehabilitation money is used, if the project is going to cost more than $25,000 his approval is needed. So he's reined in those kinds of projects.

Mr. COUGHLIN. You recommended that the Coast Guard discipline appropriate personnel and have the tenants make reimbursement for personal preference items. Do you still stand behind that recommendation? Has the Coast Guard taken any such action?

Mr. DECARLI. Yes, we stand behind the recommendation. In this case, senior Coast Guard officials were involved. They should have known what the rules were. One of the officials was going to live in those quarters. In this situation, disciplinary action and reimbursement for the personal preference features was a good recommendation.

Mr. COUGHLIN. Has the Coast Guard followed up on the recommendation?

Mr. DECARLI. The Coast Guard did its own investigation after our audit. As a result they've issued several letters of reprimand to senior staff. I would say they have followed through on that recommendation. They did not recoup the $9,000. They felt since those features were already in the houses and were going to remain there, they would leave them.

Mr. COUGHLIN. They did issue letters of reprimand.

Mr. DECARLI. They did issue letters of reprimand, yes, sir.

Mr. COUGHLIN. Would you say that since this investigation resulted from a hotline tip that routine monitoring is not adequate to catch such problems? Do administrative regulations and monitoring efforts need to be strengthened?

Mr. DECARLI. First of all, as I mentioned, the Commandant has in fact tightened up the rule by establishing that $25,000 criteria. That's going to tighten it up.

We normally, as part of our regular internal audit work, review Coast Guard maintenance activities. Our normal reviews, the Commandant's action, and the availability of people to report highly visible projects like this through the hotline is sufficient.

Mr. COUGHLIN. Expand on this issue for the record and indicate the timetable for corrective actions.

[The information follows:]

The Coast Guard has taken corrective actions to preclude abuses in funding future shore facility projects. Commandant Instruction M11000.11A was issued on August 4, 1989, to establish new requirements for project approval and documentation for shore facility projects. The instruction requires the Commandant's approval of (i) all operating expense projects for existing Command or Flag quarters where the cost exceeds $25,000, (ii) all operating expense projects for existing family housing facilities which exceed $25,000 per dwelling unit, (iii) all projects funded through the Commandant's Headquarters Unit OG-43 Major Project Program, and (iv) all operating expense projects or combination of projects to be funded by a single procurement document exceeding $500,000 for Headquarters unit and $1 million for Maintenance and Logistics Commands. These requirements, if properly implemented, should provide increased oversight and control over the use of operating expense funds for shore facility projects.

Also, to ensure that (i) the scope of future projects are properly defined, (ii) realistic budgets are developed, project activities and costs are properly monitored, and (iii) routine maintenance operations are not adversely impacted by renovation projects, the Coast Guard plans to reestablish its Engineering Management Effectiveness Visits as of February 1990. Through these visits, the Coast Guard will periodically evaluate the practices and procedures of its civil and facility engineering organizations to determine (i) whether they conform with established civil engineering requirements and (ii) whether their operations are effective and efficient. Further, the Coast Guard Housing Manual is being revised to define the involvement allowed tenants in influencing renovation projects. In response to our recommendation for disciplinary actions, the Coast Guard advised us that it had conducted an administrative investigation of the Quarter 15 project and, as a result, had issued letters of reprimand to certain Coast Guard personnel. However, cost recovery action against the tenants was not considered justified and, therefore, no recovery was made.

FALCON JET ENGINES

Mr. COUGHLIN. Let me just ask a followup question on that Falcon jet. Does the Coast Guard or the Government have any recourse against the engine manufacturer? Have they taken any recourse against the manufacturer?

Mr. DECARLI. We originally had warranties with those engines. Those warranties have subsequently expired. We did look at how well those warranties were used. The Coast Guard used them very effectively. They got basically all they could back from the manufacturer before they started spending their own money for repairs and spare parts. So, on that program, Coast Guard did effectively use the warranty provisions.

COAST GUARD FASTBOATS

Mr. COUGHLIN. In a recent audit, you found that the Coast Guard's Fast Coastal Interceptor Boats, known as fastboats, are having reliability problems as well as structural problems, including cracks in the hull and delamination. Can you explain your findings and recommendations on their reliability issues?

Mr. DECARLI. Coast Guard has a total of five fastboats: four of them were acquired and one came from another Government agency. They're basically pleasure crafts.

Mr. COUGHLIN. Cigarettes.

Mr. DECARLI. They're not Cigarettes. They're cigarette types, but they're not Cigarette boats. I don't recall who the manufacturer was. These boats have twin diesel Caterpillar engines and surface piercing drives, so they are very well equipped for drug interdiction.

The boats were not manufactured for that purpose. As I said, they are pleasure craft. The way the Coast Guard use them, that is the number of hours they are putting on them by running some of the boats back and forth from Florida to the Bahamas for drug interdiction purposes, has resulted in the hulls cracking.

There's structural cracks in the hulls, and they're not going to last the number of years that the Coast Guard originally expected. The original intent was five years. The reply to our report from the Coast Guard indicates they are going to get four years out of the boats. The hulls started to crack the first year that they were received, and the Coast Guard fix has been expedient and temporary in order to keep them going.

The extent of the problem is difficult to determine because a lot of the cracking is below closed decks and very difficult to inspect. I don't think we really know the extent of the problem.

Mr. COUGHLIN. Expand on your answer for the record, citing relevant utilization statistics.

[The information follows:]

Our audit of the Fast Coastal Interceptors (FCI) identified utilization statistics for the first three quarters of FY 1988. During that time, four of the FCIs were operational 15 percent of the time and on readiness status 49 percent of the time. The remaining 36 percent of the time they were in maintenance status. The fifth FCI was not operational during FY 1988 or the first 6 months of FY 1989.

Since their acquisition, the FCIs have been involved in three drug related seizures. Of these, two did not require a "go fast" type boat. The third seizure in August 1989, involved a joint operation with another agency in the Bahamas. Speed was required to make the third seizure.

FASTBOAT SEIZURES

Mr. COUGHLIN. These boats are justified mainly for high speed chase during drug interdiction operations. They're also fun. According to the Coast Guard FCI effectiveness reports, how many illegal contraband seizures have actually been made by fastboats and how many of those seizures required the speed of these boats?

Mr. DECARLI. There's been three captures made by the fastboats. Two of them did not require a fastboat. In one case the boat was drifting and in the other case it was in a river without engines running. In the third case, we're told that some speed was required for the capture. You have three captures, and two of the three did not require a fastboat.

Mr. COUGHLIN. How much is the Coast Guard paying annually to operate and maintain this fleet of boats?

Mr. DECARLI. The Coast Guard budgets about $1.3 million for the operations and maintenance of the fastboats. Of that, about $300,000 is for maintenance of the boats.

FASTBOAT USE IN SHALLOW WATERS

Mr. LEHMAN. These boats are fast, but can they go in shallow draft areas to pursue drug smugglers?

Mr. **DeCarli**. They can go in some shallow water, but they're a V-hull boats and have a draft of four to five feet. They have a difficult time working in the Florida Keys.

Mr. **Lehman**. That's one of the problems.

Mr. **DeCarli**. That's one of the problems with the boat, yes. The Keys have three to four feet of water. the boats take a draft of four to five feet, and so this V-hull boat is not very useful in the Keys area.

CG NEED FOR FASTBOATS

Mr. **Coughlin**. I guess the question is, are these boats really needed? If so, how many? And why can't the Coast Guard use vessels they've seized in the Custom's Service existing inventory?

Mr. **DeCarli**. Are they needed? That's a tough question, too. Based on the number of captures, three captures, and the conditions of the captures, if that was your goal, you'd have to conclude that they're not needed.

The argument the Coast Guard makes for the boats is mainly as a deterrent. What value do you put on having a deterrent factor? How do you put a value on having a policeman on the block? This determination is very difficult for me to make. To say whether or not they're worth having, you have to decide what's the deterrent value of the boats.

Mr. **Coughlin**. I guess if the drug runners find out how few seizures we're making, it won't be much of a deterrent.

Mr. **DeCarli**. They're there and they can clearly run. You asked why we weren't using the seized boats. That was one of our recommendations. When the fastboats need to be replaced, one of the suggestions we made was to replace them with seized boats.

The Coast Guard has not ruled that out as an option. As a matter of fact, they told us they would consider it, but they did point out that there were some problems in doing that. In the past, when they looked at some of the seized boats, they were in poor condition, they weren't configured in the same way that the Coast Guard would need them, they felt there would be spare parts problems with some of them, and some of them they felt that with the physical demands that they placed on the boats, the boats probably would not last very long. But they have not ruled out the possibility of using seized boats in replacement of some of the fastboats.

RECOMMENDATION FOR FASTBOAT USE IN THE FLORIDA KEYS

Mr. **Coughlin**. Do you have a recommendation about the use of the fastboats in the Florida Keys?

Mr. **DeCarli**. Yes, we did. Our recommendation on that was to get that fastboat that they have down there and move it to Miami. Then replace the fastboat that's there with a boat that takes less draft and has outboard engines that can get around better in those water conditions.

COAST GUARD MOTOR LIFEBOAT

Mr. **Coughlin**. Your opening statement refers to your ongoing review of the Coast Guard's Motor Lifeboat (MLB) program, a study directed last year by the Appropriations conferees. What are your preliminary findings? Are the MLB design problems solved?

[The information follows:]

No preliminary findings have been formulated at his point. We are still in the process of collecting data to determine if the MLB design issues have been resolved . We have requested that the Coast Guard provide the (i) final approved MLB prototype design developed by the contractor, (ii) approved test and evaluation procedures, and (iii) results of prototype testing. To assist in this review, the Navy has agreed to review the contractor's design for those issues relating to the MLB structural approach and stability characteristics. Additionality, to verify the calculated righting arms, the contractor is required to conduct a 360-degree static rollover of the completed MLB during the builder's test trial in May or June 1990. We will not know whether the MLB design issues have been corrected until specific tests are completed on the prototype this summer.

Delivery and testing are scheduled for July 1990 and testing will last 6 months. A notice of intent to excerise the contract option for the five pre-production MLBs must be provided within 5 months of delivery of the prototype, or by November 30, 1990.

Assuming that successful testing and acceptable results are generated by the Navy's review, the builder's test trial and the prototype testing, cerfification will be provided to the House and Senate Appropriations Committees by September 30, 1990.

VALUE ENGINEERING IN COAST GUARD

Mr. COUGHLIN. In a November 1989 audit, you found that the Coast Guard was not using value engineering in four major acquisition projects; in fact, acquisition personnel were not even aware of VE techniques. Explain the results of this audit, and describe what needs to be done to realize the potential savings in these four vessel programs.

[The information follows:]

Our audit showed that the Coast Guard was not using VE on major acquisition projects and its shore facility construction VE program needed improvement. Personnel responsible for major acquisition projects were not generally aware or knowledgeable of the VE analysis and techniques as described in OMB Circular A-131, and had not evaluated the applicability of the circular's requirements to their projects.

The shore facility construction VE program, managed by the Civil Engineering Division, has been generally successful and savings reported from the program amounted to about $20.4 million for FY 1984 through FY 1988. However, greater management oversight could further improve this program and provide opportunities for increased savings. We found that (i) required VE studies for shore facility construction projects were not consistently performed, (ii) VE study recommendations were not consistently evaluated and processed, and (iii) VE change proposals were not accurately processed.

We recommended that the Coast Guard evaluate the applicability of VE to major acquisition projects. If projects are determined to be applicable, establish a VE program in compliance with OMB Circular A-131 requirements including providing proper training and establishing an overall VE coordinator. Further, we recommend that the Coast Guard:

Reemphasize the current VE policies and require written documentation when VE studies are not performed on projects that meet the criteria and followup on VE recommendations that are not implemented.

Have contracting officers include the appropriate VE change proposal clauses in contracts, and develop a system for tracking VE change proposals and for assuring that the proper sharing ratio was used.

Establish procedures to increase contractors' awareness of VE change proposals.

Mr. COUGHLIN. What savings did you originally estimate, why did the Coast Guard disagree, and how do you evaluate their response?

[The information follows:]

We originally projected a savings of $124 million for the four major acquisition projects with estimated costs of $2.2 billion. Our estimate was based on the 5.7 percent savings rate with was historically achieved by VE on shore facility construction projects.

The Coast Guard maintained that the percentage of savings from the shore facility construction VE program would not be applicable to vessel construction projects. Therefore, they believed that the $124 million of savings on the four acquisition projects was not realistic. There is very little historical data available on the savings that can be achieved by using VE on major acquisitions. Lacking good data, we really do not know if the savings estimates cited in the report are available. Improvements to Coast Guard VE programs are needed but the amount of savings on major acquisitions that would result is unknown. Because of the uncertainty, we did not include any savings applicable to this report in our Semiannual Report to Congress.

USE OF PERFORMANCE SPECIFICATIONS

Mr. **Coughlin**. Do you agree that greater use of "performance specifications" lessens the need for value engineering? If not, please explain why not.

[The information follows:]

Performance specifications allow a contractor to design the end item so that it will perform the prescribed function. Use of a performance specification does not eliminate the possibility that costs can be reduced by VE techniques. Under VE, as prescribed by OMB Circular A-131, an independent team trained in VE techniques can look at an item designed to performance specifications and still find areas of reduced costs. Among other things, an independent team will review the project to determine if (i) the project can be designed more efficiently and still perform the same kind of function and (ii) other kinds of materials, techniques, and manufacturing processes can be used to lower costs.

CG PROGRAM FOR SHORE FACILITIES

Mr. **Coughlin**. Please expand on your answer for the record, and include a summary of historical VE savings in the shore facility construction program.

[The information follows:]

The Coast Guard has had a VE program for shore facility construction projects since 1971; however, records reflecting savings achieved during the early years of the program were incomplete. From FY 1984 through FY 1988, the shore facility construction program realized VE savings of $20,382,000, or an average of 5.7 percent of the estimated shore facility construction costs totaling $358,175,000, as shown below:

Fiscal year	Estimated construction costs	Estimated VE savings	Percentage of savings to construction costs (percent)
1984	$86,100,000	$3,300,000	3.8
1985	110,300,000	8,600,000	7.8
1986	96,400,000	4,800,000	5.0
1987	15,800,000	1,400,000	8.9
1988	49,575,000	2,282,000	4.6
Totals	358,175,000	20,382,000	[1] 5.7

[1] Average.

IMPREST FUND DISCREPANCIES

Mr. **Coughlin**. Each year you conduct a series of financial audits of imprest funds, including an unannounced count of cash on hand.

During a recent review of the large imprest fund operated by the Coast Guard's Maintenance and Logistics Command (MLC)—Atlantic, you found several serious weaknesses, including excessive cash on hand, improper reporting of fund discrepancies, improper safeguarding of the fund, approval of "split purchasing" which allowed procurement limits to be circumvented and improper cash disbursements to a contractor. Could you describe these problems?

Mr. DeCarli. You pretty much described them in your presentation.

The excessive cash on hand issue—the imprest fund had $150,000, and based on the volume it was doing, it probably needed only $100,000.

Improper reporting of fund discrepancies—there's a requirement that whenever a fund discrepancy is identified, they're supposed to report it to us. We weren't advised of some of those, although they've been fairly small.

The improper safeguarding of funds—there were a number of problems there. The vault was left open when there was nobody around, access in the area was not restricted, there were no emergency procedures for hold-ups, those kinds of things. So a number of control weaknesses existed.

The split purchases involved two instances where the $250 limit on how much can be paid out of those accounts was abused. In two instances, one for wallpaper and one for lighting, they split the purchases in order to keep it below that threshold.

The improper cash disbursements were basically two small disbursements that they made for cleaning services that should have been paid for as part of a contractual action.

Mr. Coughlin. Of particular concern is the finding that, with an average cash balance of over $70,000, the area was not secure. The cashier kept the safe open and unattended during parts of the day; the cashier conducted Avon sales while she worked, allowing customers into the safe area; $45,000 in unsigned travellers' checks were found in a cardboard box on top of a radiator instead of in the safe; the safe had no alarm system, and the safe was inadequately constructed.

It wouldn't exactly take an expert to rip the place off. What has been done to solve the situation—in a hurry?

Mr. DeCarli. This report was issued about the 20th of January of this year. Normally, we allow 60 days for the Coast Guard to respond to one of our reports, and we normally publish our reports with their response in it.

Because of the seriousness of the control weaknesses, we bypassed our normal process, issued the report without their comments and asked them for a 30-day response. We have not as yet received that response, so I can't enumerate for you exactly what the Coast Guard is going to do and whether they're going to take disciplinary actions. I can provide that for the record after we get the response if you would like.

IMPREST FUND AUDITS

Mr. Coughlin. If you could, I would appreciate that.

Have you been finding serious problems such as these in other imprest fund audits? Do procedures in general need to be tightened up?

Mr. DeCarli. The Department has about 690 imprest funds. We look at roughly about 50 of those imprest funds a year between regular audits that we do of imprest funds and doing them as part of protective audits. We find some internal control problems at many of them, but clearly none to the extent that we found at the MLC. That was an extraordinary situation.

Basically, the departmental policies and procedures are pretty good. In this case, it was strictly a situation of noncompliance. Overall the Department is in pretty good shape. This was an aberration more than anything else.

Mr. Coughlin. For the record, please list each of your recommendations and the Coast Guard's proposed action.

[The information follows:]

We did not recommend disciplinary action be taken against the cashier because we concluded that she was relatively new to the job and had not been given sufficient guidance and supervision. In addition, our review disclosed there was no shortage in the fund.

The following recommendations were made to correct the conditions noted:

Finding A. Excessive Cash on Hand

Recommendations

We recommend that the Commander, MLCA:

1. Reduce the imprest fund cash-on-hand requirement by $50,000.
2. Review travelers checks usage requirements to determine if the $80,000 authorization level should be reduced.

Finding B. Improper Reporting of Fund Discrepancies

Recommendations

We recommend that the Commander, MLCA:

1. Report all fund shortages or overages, regardless of the amount, to all required offices in accordance with the procedures contained in the Coast Guard Disbursing Manual.
2. Provide additional oversight and monitoring of the MLCA cashier's imprest fund operation to preclude the continued recurrence of fund discrepancies and strengthen controls over the fund.

Finding C. Cash Advances Not Properly Liquidated

Recommendation

We recommend that the Commander, MLCA, ensure that the outstanding cash advance is immediately liquidated.

Finding D. Improper Controls Over Subvouchers

Recommendations

We recommend that the Commander, MLCA, ensure that:

1. All subvouchers are stamped "Paid" after payment has been made by the cashier.
2. Complete copies of all subvouchers and supporting documents are retained by the cashiers.

Finding E. Inadequate Controls Over Small Purchases

Recommendations

We recommend that the Commander, MLCA, ensure that:

1. Purchases are not split to avoid the $250 imprest fund purchase limit.
2. Payments are made from the imprest fund based on original invoices or receipts. If an original invoice or receipt is not available, an explanation must be provided by the purchaser on the carbon or duplicate copy.
3. Requests for cleaning services are discussed with the Contracting Officer for inclusion in the MLCA's cleaning contract in lieu of processing separate cash payments through the imprest fund.

Finding F. Fund Not Properly Safeguarded

Recommendations

We recommend that the Commander, MLCA, ensure that:

1. Cash replenishments are immediately counted upon receipt in the presence of one or more witnesses; procedures are developed for depositing and withdrawing funds and reconciling cash discrepancies; and more frequent, smaller cash withdrawals are requested by the cashier.

2. Emergency holdup procedures are developed.

3. Safeguards are implemented to reduce the risk of theft for large emergency cash advances.

4. Imprest fund cashiers lock the safe when not present in the imprest fund room.

5. The principal cashier immediately discontinues conducting personal transactions as Avon representative and that access to the imprest fund area is restricted.

6. The alternate cashier's funds are properly safeguarded.

7. The imprest fund room's sheetrock walls are reinforced or the fund is moved to a more secure location.

8. Security inspections of the imprest fund are conducted on a periodic basis and properly documented.

9. The impest fund safe is equipped with an alarm.

Finding G. Inadequate Controls Over Travelers Checks

Recommendations

We recommend that the Commander, MLCA, ensure that:

1. Appropriate controls are developed so that the travelers checks authorization level is not exceeded.

2. Travelers checks are safeguard in the appropriate security container as required.

3. Cash advances are not issued to Diners Club cardholders in lieu of travelers checks.

Finding H. Lack of Separation of Duties

Recommendations

We recommend that the Commander, MLCA, ensure that:

1. The alternate cashier is relieved of responsibility for the imprest fund.

2. Individuals designated as cashiers do not have the responsibility for authorizing and approving transactions and making payments through the fund.

A copy of the Coast Guard's reply to our January 19, 1990 imprest fund audit report at the Maintenance and Logistics Command Atlantic is provided. The response states the specific actions taken or planned regarding the recommendations contained in the report.

U.S. Department of Transportation
United States Coast Guard

Commander
Maintenance and
Logistics Command Atlantic

Governors Island
New York, NY 10004
Phone: (212) 668-7118
Staff Symbol: (p)

7540
FEB 22 1990

Department of Transportation
ATTN: Mr. Michael E. Goldstein
Office of Inspector General
1633 Broadway, Room 200
New York, New York 10019

Dear Mr. Goldstein:

This letter is in response to your DOT Imprest Fund Audit of January 19, 1990, Report No. R2-CG-0-062 and received by the Coast Guard on 24 January 1990. The following items outline the specific actions taken or planned regarding the recommendations contained in the report. The numbering of items correspond to the system used in the report.

Findings A. Excessive Cash on Hand.

1. Cash on Hand:

Total cash accountability will be reduced by $25K. While this is less than the $50K recommended, I feel it is necessary to maintain a $125K capital authorization to address exigencies within the eastern seaboard. This position will be reexamined on an annual basis with an eye toward reducing cash on hand.

2. Travelers Check Authorization Level:

The Diner's Charge card program, which provides travelers checks in lieu of cash is a new concept. Therefore, I will allow another year to determine the trends before reducing the $80,000 authorized level of checks.

Findings B. Improper Reporting of Fund Discrepancies.

1. Fund Shortages or Overages.

Concur. Proper handling of fund discrepancies as detailed in the Disbursing and Certifying Manual will be adhered to.

2. Imprest Fund Oversight and Management:

Concur, will monitor oversight of this fund.

Findings C. Cash Advances Not Properly Liquidated.

Concur. This was a single instance involving cash advances to the Intelligence and Law Enforcement Branch on Governors Island for the purpose of evidence gathering. This advance is in the process of being liquidated.

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Findings D. Improper Controls over Subvouchers.

1. Subvoucher Stamping:

All subvouchers are being stamped "PAID".

2. Document retention:

Completed copies are being retained by cashier.

Findings E. Inadequate Controls Over Small Purchases.

1. Split Purchases:

The emphasis should be with the Approving Officers rather than the Cashier in preventing split purchases. I have reminded responsible officials to immediately cease this practice. In addition, the cashier has been ordered to reject any suspected split purchases.

2. Improper payment documentation:

This is an isolated case and has been corrected.

3. Cash Disbursements to Contractor:

Support Center Housing Officer and Procurement Officer were directed to include these services of this type in the MLCA's cleaning contract in the future.

Findings F. Funds Not Properly Safeguarded.

1. Inadequate Controls Over Cash Replenishments:

Corrected. Cash replenishments are done through Manufacturer's Hanover Trust Co. Inc. and delivered by the Brinks armored courier service utilizing a sealed bag. Upon receipt, funds are immediately counted, verified and witnessed by the Alternate Cashier or other responsible person designated by the supervisor. We have acquired and utilize a bill counting machine to expedite cash verifications.

The cashier will make more frequent smaller cash withdrawals. Any discrepancies noted will be documented to ease verification.

2. Lack of Emergency Procedures for Holdups:

Emergency procedures have been discussed with the cashier and a written procedure is posted in the cashier cage.

3. Emergency Disbursement Subjected to Theft Risk:

I understand the valid concern of the DOT auditors. The incident involved an officer (LTJG) entrusted with $20K. He was accompanied by another officer (LCDR) and a group of about 15 civilians/military personnel from Support Center New York. They traveled via a CG aircraft for Hurricane Hugo relief effort. He was escorted and in minimal danger of being robbed. Mission versus risk were considered during this instance and the circumstances were a definite aberration.

4. Safe Not Closed When Fund Is Unattended:

Corrected. Agent Cashier was made aware of this violation. The safe will be kept in a locked position when not being used.

5. Access to Imprest Area Not Restricted:

Immediately corrected upon notification. It was made clear to the Agent Cashier that only authorized persons are allowed inside the cashier cage.

6. Inadequate Safeguarding of Alternate Cashier's Fund:

This weakness had been identified well before the audit and corrective actions have been taken. Separate compartments with separate safe combinations have been acquired and will be welded inside the safe cabinet.

7. Imprest Fund Room Susceptible to Forced Entry:

Concur. Structural deficiencies have long been identified. A priority work order to reinforce the cage with steel plate has been submitted to Support Center Facility Engineering for installation.

8. Fund Security Inspections:

A regular inspection schedule has been implemented and will be documented. Though there were no records kept about periodic security controls, the MLCA Security Officer had provided routine oversight while changing safe combinations and correcting any apparent security violations.

9. Alarm System for Safe:

Noted and corrected. In addition, the room has sensor and door alarms, a telephone with automatic dialing to the security office, and other security features.

Findings G. Inadequate Controls Over Travelers Checks.

1. Travelers Checks Authorization Level Exceeded:

Corrected. This was an isolated case which occurred in the early stage of implementation due to overestimating check issuance.

2. Travelers Checks Not Adequately Safeguarded:

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Noted and corrected. A ten gauge steel compartment with a safe combination has been received and will be used for storage. Travelers checks will be afforded the same security as cash.

3. Noncompliance with Procedures for Issuing Travelers Checks:

Corrected. The incidents occurred during the transition period to Diner's Club. Our practice is now in compliance with CG policy on the issuance of travelers checks.

Findings H. Lack of Separation of Duties.

Corrected. The previous alternate cashier's designation was revoked. The incumbent alternate cashier meets the standards required of internal controls in handling government funds.

Sincerely,

Allen Taylor

ALLEN J. TAYLOR
Captain, U.S. Coast Guard
Acting Commander
Maintenance and Logistics
Command, Atlantic

ACQUISITION OF COMPUTER SYSTEM

Mr. COUGHLIN. The Coast Guard recently procured an expensive computer system for the Marine Safety Center in violation of several acquisition procedures. Would you explain what you found in that case?

Mr. DECARLI. Basically, the Coast Guard took a short cut. They were required to do life cycle costing. They took a short cut and didn't do that in order to reduce the time that it was going to take to make that procurement and the resources that it would take to do that kind of an analysis.

They stayed below the $50,000 threshold. At the $50,000 threshold you would have to advertise. If it was over $300,000, they would have to go to GSA and get a delegation of procurement authority. The Coast Guard left off what they called some very "desirable options" from their initial cost estimates. These options were later added to the contract.

The program actually ended up costing about $1 million rather than the $50,000 that it was originally billed at.

What needs to be done? The Coast Guard has to comply with the life cycle costing requirement. On the positive side, they are establishing an Information Management Division. They've given us some time frames as to when this division will be operative and they have clearly told us that one of the functions of this division will be to issue procedures for doing cost analysis.

Mr. COUGHLIN. In proposing this new computer during internal review, Coast Guard officials deliberately hid the actual cost of the system by using only initial hardware costs in their estimates. What appeared to decisionmakers to be a $50,000 program was in fact a $986,000 program when all costs are considered. What do we do to ensure that computer procurements in the Coast Guard are based upon accurate cost data?

Mr. DECARLI. By establishing this information management division and issuing procedures for acquiring computer technology, the likelihood of this type situation will be reduced. This has not been done yet. They have time frames for doing it. It's June of 1990 for establishing the office and October 1990 for developing the procedures. So we're a ways away from implementation.

CG ACQUISITION TRAINING

Mr. COUGHLIN. Last year, you advised us that the Coast Guard procurement staff were inadequately trained and inexperienced, partly due to the heavy reliance on military personnel and their associated rotational policies. Can you update us on this issue, and is the Coast Guard getting any better in that regard?

Mr. DECARLI. The Coast Guard has taken some actions, and we should see some improvement. One of the things that they've done was to require all of their project managers to go to the Defense Systems Management College. That's a 20-week course to train people on how to deal with acquisition programs. The FRAM, the Polar Ice Breaker, the Early Warning Systems, and the Motor Life Boat Project managers have already been to the course. Two of the Coast Guard's division chiefs have completed the course. Getting their people the right kinds of training that they need to handle the acquisition process is one positive thing they're doing.

In addition to that, they've improved the technical support staff that they've given to the project managers by giving them additional billets. The FRAM program office has three additional people, Polar Icebreaker is going to receive four, Motor Lifeboat is going to get one additional staff. By getting some more people in those projects, additional depth in knowledge will be added.

Mr. COUGHLIN. Please expand on your answer for the record, including recommendations on how this problem should be addressed.

[The information follows:]

All Coast Guard project managers for new projects are receiving project management training at the Defense Systems Management College. This is a 20-week course to train personnel on how to deal with acquisition programs. Additionally, division chiefs within the Office of Acquisition are also receiving similar training. This is a positive step in obtaining the necessary training to handle the Coast Guard acquisition process. This training will not alleviate the problems associated with rotational policies, but we should see some improvement with trained acquisition managers.

LOW BID CHANGE ORDERS

Mr. COUGHLIN. Before we leave the Coast Guard, let me just follow up on one area. I used to be in the jet engine business, and the customary procedure was you bid low on the contract and then you made it up on the change orders. And it appears that times have not changed greatly and that was almost 20 years ago. What do you do to stop that?

Mr. DECARLI. The only way you can stop that is by doing a very tight screen on the statement of work before you issue that solicitation. You need to make sure that what you put in that statement of work is really what you need, because as soon as you open it for any change orders, you're providing an opportunity for a contractor to take advantage of you.

When you have a good tight solicitation and are in an advertised environment, competition should hold down the prices. As soon as you open it up with a change order, you're no longer in a competitive situation. You're dealing on a negotiation. Then it's between you and the contractor as to where the price is set, and he has the upper edge.

Mr. COUGHLIN. Is the Coast Guard doing a good job of having tight solicitations? Or are there cost overruns as a result of change orders?

Mr. DECARLI. We did an audit of contract modifications last year. One of the problems we saw was that documentation that normally should be in the acquisition files—a good prenegotiation memorandum that describes how the Coast Guard contracting officer is going to come up with his negotiation objective, a good post-negotiation memorandum that describes how close he came and what he traded off with the contract, those kinds of documents—were missing very frequently from the files. To us that is a serious weakness. Because of that, it's difficult to tell whether or not we obtained a good price on the contract modifications.

FRAM MODIFICATIONS

Mr. COUGHLIN. On the FRAM program, that's been an enormous problem.

Mr. DECARLI. Yes, the FRAM program is almost a story unto itself. We issued the report on that last year. It started with a specification problem. One of the things the Coast Guard said initially was that they would provide the contractor the as-built drawings. They didn't have the up-to-date as-built drawings to provide the contractor. As soon as that happened, the contractor said without the drawings, I can't start my work force as I need to. Then before you get the project off the ground, you're into contractor claims for delays. You have to make sure that if you're going to provide the contractor information, you have that information available, and that the statement of work is as tight as you can get it.

Mr. COUGHLIN. Do you feel the Coast Guard is doing a better job on that now?

Mr. DECARLI. The Coast Guard is at least headed in the right direction. When you look at some of the kinds of things they're doing, I'd have to give them some positive marks.

On the Motor Lifeboat, they issued a performance specification. One of the things they called for was a prototype. They're going to get a prototype and test it. As a next step they're going to get five preproduction boats which they're going to test before they go into a large scale production buy.

Taking it through that process reduces the risk that when you get into a production buy you're going to have a need for a contract modification. The Coast Guard will have a pretty good specification when they get into the production on the Motor Lifeboat. To the extent they're starting to do more of that, I think that's good.

Mr. COUGHLIN. Thank you, Mr. Chairman. That concludes the Coast Guard. Do you want to proceed to aviation?

INVENTORY CONTROL

Mr. LEHMAN. Thank you, Mr. Coughlin. Before we leave the Coast Guard, the Coast Guard has historically had major problems in inventory control. I'm speaking of spare parts, supplies, so forth.

In past years, the IG has characterized their procedures as pretty sloppy and stated that the Coast Guard needs to redesign their logistics system. Have you done any recent work in this area, either with the Coast Guard or other parts of DOT?

Has the Coast Guard satisfactorily resolved your prior year's report recommendations? If so, how?

What has always concerned me is in the warehouse process, whether you really know the value of your spare parts inventory, whether you know the value of your supply inventory such as paint or hand soap, or whatever it is. And whether you know how much the shrinkage is from year to year? Anybody that deals with merchandise knows there has to be shrinkage.

How much of these spare parts or even supplies are obsolete? There is no parts department that doesn't have to throw out obsolete parts from time to time. I just wonder, like in your audit of the DOT library, how many of these parts are taking up space for no purpose.

Would you care to comment on these concerns?

Mr. DECARLI. The question of spare parts and retention and obsolescence is, at Defense, one of the big issues on the table right now from a GAO standpoint. That's considered one of DOD's major weaknesses.

Mr. LEHMAN. You're talking about in the Coast Guard?

Mr. DECARLI. No, that's in Defense.

Mr. LEHMAN. Yes.

Mr. DECARLI. In the Coast Guard, we've been very critical, as you know, of the logistic systems. I think justifiably so. The Coast Guard brought in the Logistics Management Institute to take a look at their whole logistics systems. LMI has done a study and come up with a number of recommendations for improving the logistics system.

We currently have a couple of audits looking at this area. In Elizabeth City, North Carolina, we're looking at aviation parts management. Our Seattle office is looking at electronics parts and the management of those parts.

As part of the Seattle job we have found that the Coast Guard has a program for improving the logistics system. I talked to Admiral Johanson last week, and have a briefing scheduled with him. I think it's next week. He's going to give us a briefing on what kinds of things the Coast Guard has, and has planned, to improve their logistics system.

Mr. LEHMAN. Well, logistics means delivering the part to where it's supposed to be, doesn't it?

Mr. DECARLI. Well, no. It includes the whole gamut of determining how much of an item you ought to store, where you store it, your location records, and the requisitioning process. To me, it's all part of the logistics package.

One of the things that Admiral Johanson indicated they would be looking at is whether or not the Brooklyn Supply Office and the Curtis Bay Activity ought to be consolidated. He said he had a meeting scheduled at Defense to look at the Defense logistics process, the computer systems and the kinds of things that they could use in the Coast Guard.

If you ask the Coast Guard, they're going to tell you it's going to take several years, and this is a long term project on their behalf before they have a reliable logistics system.

Mr. LEHMAN. Does anybody take a physical inventory of spare parts once a year as is done in private enterprise?

Mr. DECARLI. Sure. Physical inventories are required, both locator reconciliations and physical inventories are conducted.

Mr. LEHMAN. Do you know how much shrinkage there is each year?

Mr. DECARLI. I don't have the numbers on whether or not they've recorded net gains or net losses.

Mr. LEHMAN. Could you provide it for the record?

Mr. DECARLI. I will get that from the Coast Guard and provide it.

Mr. LEHMAN. And could you determine also how much of the inventory is obsolete each year for the record?

Mr. DECARLI. We can do that.

[The information follows:]

For a closing inventory of approximately $306.9 million in FY 1989, the Coast Guard inventory control points had inventory gains totaling $2.0 million (.7 percent) and losses of $5.7 million (1.9 percent).

In accounting for excess and surplus property items, the Coast Guard does not breakout these items by specific categories. For example, excess and surplus items such as spare parts, office equipment, cutters, boats, aircraft, etc., are only classified as excess and surplus personal property. Consequently, the total excess and surplus supply items held at the various inventory control points and support centers cannot be readily identified.

As of the beginning of FY 1989, the Coast Guard had approximately $42.4 million of excess and surplus personal property. During the fiscal year, an additional $44.0 million of excess and surplus property was reported (includes 12 cutters and 16 helicopters). By the end of the fiscal year, $44.9 million had been transferred to other Government/public agencies for use or disposal and $.5 million had been reassigned for use within the Coast Guard. As of September 30, 1989, the Coast Guard has $41.0 million of excess and surplus personal property on-hand (includes CG Cutter Glacier).

The Coast Guard disposed of obsolete equipment valued at $4.3 million during FY 1989. This equates to about 1.4 percent of the closing inventory of $306.9 million.

FAA AIRCRAFT UTILIZATION

Mr. LEHMAN. We'll move to aviation.

In June of 1989, you found several serious problems regarding the FAA's utilization of aircraft. Tell us about them.

Mr. DECARLI. We reported three problems. One concerned whether the right people were using resources for flight training and evaluation purposes since 50 percent of the flights made for currency and evaluation were questionable. The people who were flying for these purposes were already in excess of the minimum requirements for flight time. People who were taking evaluation flights were required to complete evaluation reports but we couldn't find those reports. People who didn't have job related requirements for flight skills were also using these currency and evaluation flights. That's the reason we drew that conclusion.

We felt there was about $1.2 million of flight time that could be used better—it was needed by FAA, but it could be used more effectively by giving it to the people who really needed it. FAA had people who had job related skills that needed flight time and weren't getting it. So it was really a mismatch between the amount of assets you had available, the amount of flight time, and who was getting it.

The second issue involved a question of not complying with the departmental orders on transportation flights. When using a Government aircraft for transportation purposes, you should take a look at the commercial aviation schedule, do a cost comparison, and go through those kinds of decision processes before you use a Government plane. That wasn't being done, and we concluded that about $164,000 was spent for transportation on Government aircraft when commercial aircraft was cheaper.

Mr. LEHMAN. You recommended $5.1 million in savings. Break down these savings for us and explain why these funds are not needed.

[The information follows:]

Our report identified $5.2 million in funds that could be put to better use by FAA.

The $5.2 million consists of (i) $1,213,020 in unnecessary and noncritical currency and evaluation flights, (ii) $164,487 in excess costs from utilizing FAA-owned aircraft rather than commercial transportation and (iii) $3,827,512 in unneeded contracts for flight training and rental aircraft.

Currency is flight time logged by flight crew participants in order for them to become or remain fully qualified and proficient to operate agency aircraft. Evaluation flights are work assignments normally performed by Headquarters and staff personnel wherein an aircraft is required to perform the assigned job function.

FAA aircraft and flight hours for the currency and evaluation mission were not effectively utilized. About $1.2 million could have been more effectively utilized by FAA in providing necessary flight hours to personnel with a critical job-related requirement to fly. There were 2,885 flights made in FAA-owned or rented aircraft between October 1, 1987 and May 31, 1988, for the primary purpose of currency or evaluation; 1,437 or 50 percent were questionable because pilots were (i) flying in excess of minimum currency requirements, (ii) taking unsupported evaluation flights, and (iii) flying without a job-related requirement to be in the program.

Excess costs of $164,487 were incurred by utilizing FAA-owned aircraft rather than the more cost effective and readily available commercial transportation. During the audit period, 58 flights were made on FAA-owned aircraft for the primary purpose of transportation, and 34, or 59 percent, could have been performed more cost effectively utilizing commercial transportation. This occurred because the requirements of DOT and FAA Orders on the utilization of aircraft were not followed. The proper and required approvals, justifications, and cost comparisons were either not prepared or were prepared after the flights were taken.

Flight training is conducted at the FAA Academy, Hanger 6 at Washington National Airport, or by out-of-agency contract. During Fiscal Year 1989, the requirement for Cessna Citation recurrent flight training could cost FAA $127,512 in contract costs. FAA could provide that training on its own Cessna aircraft located at Hanger 6.

Additionally, FAA could expend $3.7 million during the next 3 fiscal years for unneeded aircraft because regional aircraft assigned to the ECT mission are not made available to the FAA Academy for flight training. FAA planned to rent a Beechcraft BE-300 for initial and recurrent flight-training courses. These courses are currently being offered on the Academy's Beechcraft BE-F90 and have been taught on a Beechcraft King Air BE-C90, the same type of aircraft assigned to the ECT program in the regions. FAA has five Beechcraft BE-C90's which are assigned to the regions. The BE-C90's are used exclusively in the regional ECT programs and are not currently available to the Academy for use in the training mission.

FAA did not agree with the estimated $5.2 million of other dollar benefits associated with the recommendations. Although FAA generally agreed or proposed alternative actions to satisfy the intent of our recommendations pertaining to currency, evaluation and transportation flights, they did not agree with the recommendation that $1,377,507, $1,213,020 and $164,487 of funds be put to better use. FAA believed these amounts could not be deducted from future budgets.

The OIG agrees that these funds are needed. They will be used more effectively within the aircraft program when management takes action to implement the recommendations. Based upon that understanding FAA has indicated that it will concur that funds of approximately $1.4 million could be put to better use. The remaining $3.7 million pertains to the issue of renting aircraft and, as explained more fully on page 97, is unresolved at the present time. We are evaluating current data on training requirements provided by FAA and are continuing to meet with FAA officials to resolve audit issues as well as the $3.7 million in funds that we recommended could be put to better use.

Mr. **Lehman**. Please expand on your answer for the record. Include each of your recommendations, FAA's response, and your evaluation.

[The information follows:]

The report contains 20 recommendations (11 recommendations and 9 subrecommendations). Each recommendation, FAA's position on the recommendation, and our evaluation follows.

Finding A - Evaluation, Currency and Transportation (ECT) Resources Could be Better Managed

OIG Recommendations

1. Implement Program controls and oversight responsibility to ensure that:
   - (a) Currency flights are authorized for only those pilots who have not obtained the minimum flight-hour requirements,
   - (b) Evaluation flights are made by only those personnel who have a job-related need to perform evaluations and require written reports documenting the results of such flight,
   - (c) Personnel without a critical job-related requirement to fly are removed from the flight program,
   - (d) The status of PICs (pilots-in-command) who have not met the minimum annual requirements for currency be reduced to SIC (second-in-command) status,
   - (e) All participants who have not met the minimum annual requirements of 24 flight hours are removed from the flight program, and
   - (f) Quarterly reviews and revalidation of all flight program participants are performed.
2. Prohibit transportation flights from being justified as currency or evaluation flights unless they are necessary to meet minimum currency requirements or conduct a valid evaluation.
3. Establish controls to ensure that flight hours required for each pilot participating in the ECT program are established and then matched against available resources.
4. Require locations to reduce ECT budget requirements by considering all creditable flight time for each program participant and record those hours in the Aircraft Management Information System.
5. Rotate the King Airs to the field offices within the regions.
6. Evaluate the cost effectiveness of the all exclusive assignments of FAA-owned aircraft at the regions for purposes of the ECT program.

FAA's Response

Recommendation 1(a): FAA nonconcurred saying the flight-hour requirements mentioned in FAA Order 4040.9C, FAA Aircraft Management Program, were not established as a maximum but rather as a minimum which may be exceeded when necessary to maintain proficiency. FAA proposed an alternative to accomplish the desired results. FAA will develop specific enforceable requirements to conduct an effective and efficient quarterly review and revalidation process (which includes the flight proficiency status of each pilot). These requirements are contained in the revised FAA Order 4040.9D.

Recommendations 1(b), 1(c), 1(d), 1(e), and 1(f): FAA concurred with these five recommendations stating that its revised Order 4040.9D, FAA Aircraft Management Program, contains a delineation of personnel who have a job-related need to perform evaluations. A revised aircraft use record will show the type of evaluation and preliminary evaluation findings. The revised order will also contain procedures for determining program eligibility. FAA also stated that tighter controls will be exercised to monitor the eligibility of all participants by the establishment of quarterly review and revalidation processes detailed in the revised FAA Order 4040.9D.

Recomendation 2: FAA concurred saying that its policy is that FAA aircraft may be considered for use to transport passengers when the aircraft is used primarily for some other mission requirement and transportation does not alter the schedule or interfere with the performance of the mission. This policy is consistent with the policy guidance outlined in DOT Order 6050.1, Use of Department of Transportation Aircraft.

Recommendation 3: FAA concurred stating that tighter controls will be established through the aircraft program budget review process and carried out by the establishment of quarterly reviews and revalidation processes detailed in the forthcoming revision of FAA Order 4040.9C.

Recommendation 4: FAA nonconcurred and said that locations which include creditable outside flight accomplishments in their budget planning are to be commended. However, this practice only allows the FAA to optimize the allocation and use of aircraft program resources and does not and should not reduce the budgetary requirement.

Recommendation 5: FAA concurred saying that rotation of aircraft to field offices for pilot familiarization and standardization is now the standard practice used by regions with an assigned aircraft.

Recommendation 6: FAA concurred and said that such studies are required by FAA and DOT directives and should be routinely conducted. Additionally, FAA will be conducting a comprehensive, indepth review of its Aircraft Management Program including policy, procedures, assignment of responsibilities, program criteria, implementation, monitoring capability, etc. The review will include an evaluation of FAA-owned aircraft assignments to ensure they are cost effective.

OIG's Evaluation of FAA's Response

FAA's proposed alternative to develop specific enforceable requirements to conduct an effective, and efficient quarterly review and revalidation process satisfies the intent of the recommendation 1(a).

Regarding Recommendation 4, the intent was to improve management control over the number of flight hours needed to maintain currency. Although we still feel strongly about this recommendation, FAA's commitment to improve program controls and oversight responsibility including the quarterly review and revalidation process adequately addresses the issue and the recommendation is considered closed.

FAA's commitment to develop specific enforceable requirements over the program through its revised Order 4040.9D is responsive and the recommendations are considered closed.

Finding B - Transportation Flights Were not Cost Effective

OIG Recommendations

1. Adhere to the requirements of DOT and FAA Orders for all flights for the primary purpose of transportation to include:

   (a) A detailed written justification of why FAA aircraft are being utilized and include it in the aircraft flight records.

   (b) Written approval by authorized officials before the flight actually occurs, and

   (c) Economic cost comparisons for every transportation flight.

2. Require the use of commercial transportation when it is more economical and does not interfere with mission accomplishment.

FAA's Response

Recommendations 1(a), (b), and (c): FAA concurred saying that the approval authorities for transportation as the primary purpose of flight are set by DOT Order 6050.1 and implemented by FAA Order 4040.9C. The approving authorities are, therefore, responsible for ensuring the flights they approve are documented and conducted according to applicable directives, including written justification, written authorization, and cost comparison. Specific requirements to conduct an effective, efficient quarterly review and revalidation process, and to include a systematic review of aircraft use records and their supporting documents, are contained in the revised FAA Order 4040.9D.

Recommendation 2: FAA concurred and said that approval for transportation as the primary purpose of flight is based on the approval authorities' review of written justification, including documented mission requirements, written approval, and a cost comparison. As specified in DOT Order 6050.1 and FAA's implementing Order 4040.9C, a cost comparison will not be the sole deciding factor when mission requirements are better served by use of an FAA aircraft.

OIG's Evaluation of FAA's Response

FAA's response satisfies the intent of our recommendations. Further, this issue is fully addressed in the Department's revised Order 6050.1A, Management and Use of Department of Transportation Aircraft. Accordingly, the recommendations are considered closed.

Finding C - Contracts for Flight Training are not Necessary

OIG Recommendations

1. Not renew the contract for Cessna Citation C-500 recurrent flight training and, in the future, conduct the course on the agency-owned C-500 located at Hangar 6.

2. Require the Office of Flight Standards, in conjunction with the Academy and Hangar 6, to determine on which Cessna aircraft the C-500 recurrent flight training should be taught.

3. Utilize the agency's Beechcraft BE-C90 aircraft for flight training, instead of renting additional aircraft.

FAA's Response

Recommendation 1: FAA nonconcurred stating that the Cessna Citation C-500 and C-550 courses will be combined into a Cessna Citation C-500 series course that will allow for the utilization of either agency-owned aircraft for scheduling flexibility. The contracted ground school and emergency training more realistically afforded by simulators will continue to be programmed for pilots as recurrent training on an alternating basis, i.e., initial or recurrent training at Hangar 6 one year, contract simulator training the next.

Recommendation 2: FAA concurred saying that the Cessna Citation C-500 and C-550 courses will be combined into a single course that will allow for the utilization of either aircraft.

Recommendation 3: FAA nonconcurred stating that regional aircraft could not be used for training due to their preplanned activities in the regions and uncontrollable variables such as unscheduled maintenance, emergencies, and weather. Further, the FAA Academy recently received a second Beechcraft F-90 flight inspection aircraft for turboprop flight training, and as other aircraft becomes surplus to other flight programs they will be assigned to the training mission.

OIG's Evaluation of FAA's Response

Regarding Recommendation 1, the OIG agreed that contract training with the use of simulators provides an opportunity for more realistic emergency training than what would be afforded by relying only on agency-owned aircraft. Accordingly, the OIG agreed to close the recommendation.

With respect to Recommendation 3, we are currently working with FAA to resolve this issue. Beechcraft King Air initial and recurrent flight training courses are conducted on agency-owned Beechcraft F-90 aircraft. The Academy's need to rent a Beechcraft King Air 300 was based on the high demand for Beechcraft King Air training and the electronic flight instrument system (EFIS) available with the Model 300.

At the time of the audit, FAA's new fleet of King Air 300 inspection aircraft equipped with EFIS were just beginning to be delivered. It was believed that the training of inspection pilots could be accomplished using similar Beechcraft without EFIS. We have been provided more current information regarding the aircraft fleet including budgeted flight hours for mission requirements and training requests for Fiscal Years 1989-1992. We are currently evaluating this data and are continuing to meet with FAA officials.

Finding D - Requirements for Recurrent Flight Training Were Not Met

OIG Recommendations

1. Allocate sufficient aircraft and resources to the Academy so that all required flight-training courses may be provided.
2. Ensure that the regions determine and request enough course slots to reflect recurrent flight-training requirements as set forth in FAA Orders.

FAA's Response

Recommendation 1: FAA concurred saying that as the integration of the new aircraft into the flight inspection environment as full capability occurs, aircraft surplus to the flight inspection mission will be assigned to the other flight programs, particularly the training activity, to compensate for shortfalls in aircraft availability.

Recommendation 2: FAA concurred and will ensure that the regions determine and request enough course slots to reflect recurrent flight-training requirements as set forth in FAA orders.

OIG's Evaluation of FAA's Response

FAA's reply is responsive to the intent of the recommendations, and they are considered closed.

FAA PURCHASE OF COMPUTER EQUIPMENT

Mr. LEHMAN. Similar to the Coast Guard, you stated last year that the FAA was purchasing computer equipment without the required approval, and that over $7 million of FAA computer equipment was missing. What is the status of this? You're talking about inventory?

Mr. DECARLI. You're right. It's an inventory problem. The question is whether it's missing or whether the records are just improper. We didn't say that it was missing. A complete physical inventory is needed in order to make that determination. And that was one of the things that FAA was supposed to do.

They started it in October, they still haven't completed that inventory. It's supposed to be done later this year. Until that inventory is completed, it's difficult to tell—well, it's impossible to tell whether it's just a records problem or whether you actually have physical losses.

Mr. LEHMAN. That's like a zoo missing an elephant. [Laughter.]

ENVIRONMENTAL REMOTE MONITORING SUBSYSTEMS

Mr. LEHMAN. You recommend in a recent audit that FAA's Environmental Remote Monitoring Subsystems be terminated, resulting in a savings of $27.9 million. Why should ERMS be terminated and what is the FAA's response? How do you evaluate their comments?

Mr. DECARLI. The problem at FAA is that they did a faulty cost benefit analysis. By using a remote monitoring capability on this equipment, they were supposed to be able to reduce the number of times that they had to go out and do inspections from a monthly cycle to a quarterly cycle, which will be done.

But when they did the cost analysis, they calculated twelve-and-a-half hours would be saved on each inspection cycle that they didn't have to do. When they went through the calculations, they multiplied that twelve-and-a-half hours by the four pieces of equipment that were there and inflated the benefits that would be actually achieved from the program. So it was an error in the way they did the calculation.

FAA has agreed that the calculation was wrong. They wanted an opportunity to take a better look at the system to see whether or not there were other benefits that they hadn't identified initially that they could identify for the program. If they can and it changes the results, that's okay. We will take a look at it when they're finished.

But if they can't come up at least with a one to one cost benefit ratio, they agree that they won't continue with the program. We'll be looking for that. We've asked them when they finish the next cost benefit analysis to notify us so we can take a look at it before they proceed.

REMOTE MAINTENANCE MONITORING

Mr. LEHMAN. You also determined that adding Remote Maintenance Monitoring (RMM) capability to some approach lighting systems, as planned by the FAA, may not be a cost-effective procurement. Please describe your findings in this area, and cite any potential cost savings or cost avoidance.

[The information follows:]

FAA's policy to acquire all new equipment with RMM was based on the assumption that RMM costs would be insignificant. However, the costs for RMM on two recently purchased approach lighting systems do not support this assumption. FAA purchased Medium Approach Lighting Systems with Runway Alignment Indicator Lights (MALSR) lighting systems without an RMM capability in 1985 at about $7,000 each. FAA recently purchased the same MALSRs for $14,807. As part of this contract, FAA also acquired remote monitoring subsystems for the MALSRs at $42,293, a cost that is 300 percent higher than the equipment being monitored. FAA also purchased Runway End Identifier Lights (REIL) with a bulit-in RMM capability at $46,650. The 1985 cost for a REIL system was about $2,100. Some of the additional cost is due to inflation but very little changes other than RMM were made to the systems. Consequently, the majority of the additional costs are attributable tc the added RMM capability.

These cases show that in some instances RMM costs are significant and can exceed the expected benefits of preventive maintenance savings. FAA's goal is to minimize maintenance costs by purchasing equipment that requires only quarterly preventive and corrective maintenance. However, most of the preventive maintenance for the MALSR and REIL systems is already on a quarterly basis. FAA orders also encourage the use of non-FAA personnel, such as airport authorities and fixed-base operators, to make more frequent inspections and notify the FAA if any corrective maintenance is needed. Consequently, the large investment to continuously monitor these systems is not cost effective.

We recommended that FAA refine the policy that RMM be included on all new equipment purchases. Decisions on what equipment should be remotely monitored and maintained should be cost effective and based on (i) the proximity of equipment to technicians, (ii) the expected maintenance benefits, and (iii) the criticality of the equipment to aviation safety. We also recomended that FAA eliminate the estimated $40,000 RMM component from 90 future REIL purchases to make better use of at least $3.6 million.

Mr. LEHMAN. Please expand on your answers concerning both ERMS and RMM for the record.

[The information follows:]

We recommended that the Environmental Remote Monitoring Subsystem (ERMS) not be continued because FAA's benefit-cost analysis incorrectly overestimated the savings that ERMS offers in eliminating monthly preventive maintenance of heating, ventilation, and air conditioning (HVAC) systems. The analysis calculated 12.5 hours as the annual scheduled maintenance hours saved for all HVAC performance checks. Elsewhere in this study, the 12.5 hours was multiplied by 4 to account for each piece cf HVAC although each piece had already been considered in the 12.5 hours. Using the 50 hours in the study would mean that on the eight monthly inspections FAA would save 1.5 hours of inspection time for each room air conditioner, portable heater, and two ventilation fans. This 1.5 hours is unreasonable since the monthly preventive maintenance consist largely of visual inspections that the systems are working properly. When taken in conjunction with other ERMS benefits such as monitoring standby engine generators, the HVAC miscalculations overstated direct work savings by 50 percent.

There were other errors with the ERMS benefit-cost analysis such as the presumption that field office consolidation would increase travel times to these facilities and therefore larger benefits would occur in travel savings. Various FAA regions have studied how maintenance field offices may be consolidated and their preliminary results were not as favorable as the 47 percent reduction used in the study. FAA has agreed not to pursue ERMS until another benefit-cost analysis is prepared. FAA intends to quantify additional benefits, such as remote engine generator start-up in emergencies and preventing facility loss by enhancing security to determine a new ERMS benefit-cost ratio. We have requested that FAA provide us with the revalidated analysis when it is completed.

Concerning Remote Maintenance Monitoring (RMM) in its entirety, we recommended that FAA refine the policy to acquire RMM on all new equipment. FAA's policy was based on the assumption that RMM costs would be insignificant. However, FAA purchases of lighting systems show that in some cases RMM subsystem costs are significant and can exceed the expected benefits. We recommended that FAA refine the policy and make cost effective decisions on what equipment should contain RMM. FAA believes that a benefit-cost analysis performed on a facility basis does not capture the total benefits that are derived from providing RMM to all systems within a geographic areas or possibly all systems within the National Airspace System. FAA is reevaluating these total potential benefits and will update the policy to reflect the findings as appropriate. We have also requested to review this reevaluation when it is completed (about June 1990).

AIRPORT IMPROVEMENT PROGRAM

Mr. **Lehman**. Concerning the FAA's Airport Improvement Program, you recently found that 40 percent of the projects reviewed had not begun construction for periods as long as three-and-a-half years after grant award. These delays resulted in unnecessary costs of $7.9 million. What's the problem here, and what's being done? One of the problems is we're getting blamed about the size of the airport trust fund.

Mr. **DeCarli**. In this case, FAA has a requirement that construction is supposed to start six months after they approve the grant. They're supposed to make sure that they get designs and those kinds of things when they approve the grant. That wasn't happening and as a result the projects weren't starting when they should.

We estimated savings based on the FHWA inflation indices for construction. FAA didn't agree with them because they believe factors other than not having the designs completed when they were supposed to, caused the delay of the construction projects.

Mr. **Lehman**. Please expand on your answer for the record.

[The information follows:]

For FY 1986 and FY 1987, funding was $1.7 billion for this program. We found some good practices, in that sponsor applications were accurate, projects were prioritized in accordance with FAA criteria, discretionary funds were efficiently and effectively used, and funds were applied so that projects were not over or under funded. However, approved projects for construction were significantly delayed because FAA did not enforce existing requirements. FAA did not obtain project development milestones and monitor project event dates, nor did they ensure that final project plans and specifications were submitted before grants were awarded or at later agreed-upon dates.

FAA took corrective action by clarifying and emphasizing procedures in Program Guidance Letter 89-5, dated July 21, 1989, to their regional and district airport offices and in the revised AIP Handbook, dated October 24, 1989. FAA now requires that field offices award only a limited number of grants with preliminary rather than final plans and specifications. The standard is that grants should be awarded no earlier than six months before construction-start dates. In unusual cases, field offices may permit start cases, the agreed-upon start dates will be included in the grant. Field offices should monitor all projects to assure that either the standard or extended construction date is met. They are to obtain reasons and take appropriate action when construction has not begun with the agreed-upon period.

AIRPORT CONSTRUCTION MATERIALS

Mr. **Lehman**. A number of FAA regions are not enforcing applicable standards for airport construction materials. In many cases, substandard asphalt and concrete are being procured which will wear out sooner than was specified. This sounds like a major and widespread problem. How extensive is this problem, and what needs to be done?

[The information follows:]

We have issued five audit reports in five FAA regions. The audits included a review of 38 grants with airport paving construction costs totalling $44.5 million. Of the $44.5 million in construction projects reviewed, test reports showed that 85 percent of the accepted pavements were either insufficiently tested or did not conform to specified tolerances. To provide some perspective on the importance of meeting pavement design criteria, research (as well as FAA pavement design models) has shown that even small material deviations can reduce traffic service life from 40 to 84.5 percent. Our audits of airport paving construction projects showed that (i) construction contracts contained standards less stringent than called for by FAA, (ii) testing was not adequate to ensure specifications were met, (iii) where specifications were not met, material was accepted and penalties were not applied, and (iv) some contracts did not provide for penalties.

We believe the problem is extensive and are currently preparing a summary report to FAA which will include statistical projections showing the extent of the problem. In this report we will be recommending that FAA:

Improve grant monitoring and inspection of airport pavement.

Improve technical training necessary to identify and resolve pavement productiom problems.

Require acceptance systems to include Marshall design verification tests and associated pay reduction provisions to ensure achievement of asphalt pavement design life.

Require the use of statistically based pavement acceptance systems to assure that Portland Concrete Cement pavements meet design criteria for flexural strength and thickness.

Require independent sampling and testing programs to ensure the accuracy of pavement tests or require that the resident engineer and testing laboratory be independent of each other.

Mr. **Lehman**. What is the FAA doing to address your recommendations? FAA apparently doesn't agree that funds need to be reimbursed in all cases. What is their argument, and do you agree?

[The information follows:]

On a regional level FAA has initiated action to (i) seek recovery of costs on some projects, while a disagreement remains on recovery of costs on other projects, (ii) perform acceptability testing on pavements which have not been tested and/or further evaluate pavement for acceptability which we questioned during the audits, (iii) train project engineers in the use of payment reduction contracts, and (iv) require sponsors, as a prerequisite to grant closeout, to identify the amount and value of material accepted without sufficient certification and/or testing.

FAA disagrees that funds need to be reimbursed because they believe in situations where subsequent testing is required, the tests will show either recovery is not needed, or deviations from specifications are not deemed significant enough to warrant recovery. More significantly, pavement requirements in contracts approved by FAA were less than established standards. In general, we believe where pavement does not meet design specifications, refunds should be obtained. However, each individual situation is being discussed with FAA on a case by case basis.

The FAA field offices generally agreed with our recommendations to improve the monitoring of pavement construction projects. Their agreement was contingent on FAA headquarters making the necessary changes in official FAA guidance. One of the important internal controls we are recommending is for FAA to review each proposed sponsor construction cotract to ensure that all applicable FAA standards (tests and pay reductions) are included. If the testing of the materials falls short of the required standard, then pay reductions are strictly applied. We believe when airport sponsors realize that FAA will enforce pay reduction provisions of the contract, the quality of the pavement will be enhanced.

Another significant problem disclosed by this audit was that FAA's mandatory guide specifications for pavement construction did not provide for acceptance procedures which would ensure that pavements contructed met the required design standards. Our summary report to FAA will address this issue and if we can get agreement with FAA on the appropriate acceptance procedures, we believe the solutions to lesser problems, such as FAA monitoring, will fall into place.

AIRPORT GRANTS: EXCESS FUNDING

Mr. **Lehman**. In one FAA region, required quarterly reviews were not being conducted to identify excess funding which remained obligated on airport grants. The region did not agree with your recommendation to conduct such reviews. Why not? What is the situation today?

[The information follows:]

Our review disclosed that the Great Lakes Region has generally been effective in identifying excess grant funds and keeping unused/unneeded funds to a minimum. However, the Region was not using its quality review process of open projects to identify unused/unneeded funds which can be deobligated. In response to the report, the Regional Administrator said that because of workload and limited resources, every open project could not be reviewed quarterly. As an alternative, the Administrator said that every open project in two or three different states would be reviewed quarterly so that every open project is reviewed annually. We requested that the Administrator reconsider this position since it was not in accordance with established FAA regulations and, in our opinion, the reviews did not require significant amounts of time to accomplish.

On January 5, 1990, the FAA Regional Administrator informed us that quarterly reviews will be performed and recorded in accordance with requirements set forth in FAA Order 2720.4A.

FALSIFIED MEDICAL CERTIFICATE

Mr. **LEHMAN**. You investigated an anonymous tip concerning an FAA air traffic controller who falsified his airman medical certificate. Although hired by the FAA, your investigation concluded that "the subject habitually used several forms of controlled substances and had consulted 54 doctors in order to obtain these drugs." The prospect of drugged air traffic controllers is a bit scary, to say the least. Are there problems in the FAA's system of reviewing such applications and if not, how did this individual slip through the cracks?

Mr. **DECARLI**. I don't think that FAA could have done anything in this situation to find this individual. The man was abusing prescription drugs, and that's the reason he visited all the doctors.

The medical review process largely depends upon a person telling the doctor what kinds of prescriptions he's taking. The FAA air traffic controllers do urinalysis tests for five controlled substances: marijuana, cocaine, heroin, those kinds of things. The prescription drugs did not show up in a urine test. This was just one that defied the imagination. He had quite a system for going around and getting prescriptions.

Mr. **LEHMAN**. I was reading in *The Washington Post* yesterday, in the Health Section, that one of the problems is that doctors themselves need mandatory drug testing.

SUBSTANDARD AEROSPACE FASTENERS

Mr. **LEHMAN**. Please provide your recommendations concerning compliance monitoring of substandard aerospace fasteners, FAA's response, and your assessment of their response.

[The information follows:]

Based on the results of several investigations we have had regarding the use of substandard fasteners in the aerospace industry, we recommended that the FAA consider a uniform compliance policy regarding, at a minimum, regulation of the manufacturers of critical aerospace fasteners. Based on this recommendation, FAA proposed an Advisory Circular which will provide information and guidance to the FAA and the general public concerning counterfeit parts. This Advisory Circular would also provide for establishing a national database which will serve as a single source of information for reports of counterfeit parts. FAA also advised that it has in the development process a proposal to regulate manufacturers and distributors of standard parts.

We feel FAA's response, especially the latter one relating to regulating manufacturers and distributors of standard parts, when implemented, will contribute significantly to the reduction of substandard fasteners in the aerospace industry.

Mr. **COUGHLIN**. Mr. Chairman?

Mr. **Lehman**. Yes.

POST-ACCIDENT DRUG TESTING

Mr. **Coughlin**. Before we go off the subject, in the Federal Railroad Administration there is a requirement for post-accident drug testing, I think, within eight hours of the accident. In aviation, I think it's 34 hours. Have you looked into why the need for such a long wait?

Mr. **DeCarli**. That problem happened in Boston when there was an aircraft accident. The pilot just walked away. The NTSB has raised this issue recently. There is a need to have pilots tested sooner after the accident.

Mr. **Coughlin**. You haven't looked into that.

Mr. **DeCarli**. No, we have not.

Mr. **Coughlin**. The reason for the very lengthy period in aviation accidents?

Mr. **DeCarli**. No, sir.

Mr. **Coughlin**. Thank you.

CORN PROGRAM

Mr. **Lehman**. Mr. Coughlin? I didn't know if you were through or not. Mr. DeCarli, have you done any recent work or do you have any ongoing work on FAA's Computer Resources Nucleus Program? That's the CORN Program. If so, what did you find and what are the future plans and schedules?

Mr. **DeCarli**. We have done some recent work as the result of a hotline. We had a hotline complaint that said that FAA provided insufficient information and time to enable potential offerors to submit firm fixed price bids on CORN. The second part of the allegation was that the FAA decision to use a firm fixed price contract was inappropriate.

We looked at both of those issues, and found that they were actually unwarranted. FAA did provide sufficient information, they did provide sufficient time, and the use of a fixed price contract is in accordance with the provisions of FAR. We had GSA review it, and they also agreed.

We did find one problem when we did that review. FAA wasn't providing for the funding and wasn't requiring as part of the contract specifications a requirement for software documentation. Again, this is one case that if you really want that documentation after you award that contract, you're going to have to go through a modification process. If you want it, you should have it in your specifications so you don't have to go through and negotiate a price for that documentation.

Our work with GAO is well coordinated. We've talked to them a number of times on CORN. We had an audit in our Fiscal Year 1989 program on CORN and we deferred it because the program had slipped. We have been dealing pretty regularly with GAO. They're aware of the work that we've already done with respect to the hotline issue. We're constantly talking to them.

Mr. **Lehman**. Can you expand on that for the record, too? Because this is one of those touchy programs.

Mr. **DeCarli**. Yes, this could be a very expensive program.

[The information follows:]

Our audit objectives in pursuing the CORN hotline were to determine (i) whether or not FAA had provided adequate information and time for prospective offerors to submit firm-fixed-price bids on the conversion portion of CORN and (ii) the appropriateness of using a firm-fixed-price contract for the conversion phase. According to our results, both of these allegations were without merit. First, FAA made available all the source code to be converted on September 6, 1988, almost a year before the final bid due date of August 30, 1989. FAA provided the three vendors who acquired the source code with an updated version on August 7, 1989, more than 9 months before best and final offers are expected to be required. According to GSA's Federal Software Management Support Center, providing just the source code gave potential offerors sufficient information to develop a firm-fixed-price bid. Second, as stated in the FAR, a firm-fixed-price contract is suitable for acquiring services in instances where reasonably definite or detailed functional specifications exist. Given the availability of the actual source code to prospective offerors, we believe the software conversion phase of the CORN program represents such an instance. In addition, GSA's January 1983 "Software Conversion Lessons Learned" document recommends the use of a firm-fixed-price contract type for software conversion work, and the Federal Software Management Support Center continues to recommend this type of contract for conversion efforts.

During our work, however, we noted that documentation of the software to be converted under CORN was not being adequately provided by FAA in two ways. First the CORN Request for Proposal (RFP) initially lacked clear and consistent provisions in requiring preparation of new documentation for converted application systems. When we brought this problem to the attention of CORN Project management, they amended the RFP to require preparation of specific document types. However, FAA specifically excluded the preparation of functional requirements documentation, as called for in Federal standards, and made no other provisions for its preparation. In our draft hotline report we are recommending that FAA ensure the timely preparation of new functional requirements documents for applications converted under CORN. Second, while FAA added substantial documentation requirements to the CORN RFP, they made no budgetary adjustments to ensure sufficient funding of the increased documentation costs. FAA has estimated documentation costs at $2.256 million, but we believe (and GSA agrees) that with the added documentation requirements, total documentation costs will probably be many times that amount. In our draft hotline report, we are recommending that FAA prepare new cost estimates based on current data and requirements and use the new estimates to revise their budget requests.

We are currently revising our FY 1989 audit proposal to take into account our hotline audit work and GAO's current and planned work. As currently envisioned, the original scope will probably be reduced to cover project implementation planning and management control mechanisms. We will reconsider the revised audit proposal during our FY 1991 audit planning cycle.

Mr. LEHMAN. We have about 45 minutes of questions including the justifications. I think just before we go into highways, if it's all right with Mr. Coughlin, I thought maybe we would recess now and come back at 1:30. Is that all right with you, Larry?

Mr. COUGHLIN. Yes, sir.

Mr. DECARLI. Fine.

Mr. LEHMAN. The Subcommittee is recessed.

[Recess.]

EARTHQUAKE TASKFORCE

Mr. LEHMAN. Secretary Skinner recently asked your office to set up an anti-fraud task force to oversee relief expenditures for the Loma Prieta earthquake. Could you describe why this was necessary, who will be included in the task force, and what are the objectives?

Mr. DECARLI. That task force was established after the earthquake in San Francisco. We were giving California emergency relief funds for the repair of the highways and wanted to take a look at the procedures that the State of California, CALTRANS, was going to use to manage that money and to award contracts.

Mr. LEHMAN. Were those the FEMA funds?

Mr. DECARLI. No, these were FHWA funds. There's some FEMA funds out there, too, but the ones going to the highways are emergency relief funds coming out of the Federal highway program.

Mr. LEHMAN. Did you do anything in South Carolina, too?

Mr. DECARLI. FEMA had South Carolina. We did not have many highway problems there. Three people went out as a part of that task force. Two of them from Federal Highways and a member of my staff. They looked at the procedures Highway was going to use and the contracting. It appears that CALTRANS has a pretty good system for managing those funds.

We were satisfied with what we saw but we're going to keep looking at it. The CALTRANS auditors are going to be there and we'll be looking at it, too.

We also set up a separate hotline from the one that we have here in Washington. We've advertised the number. It's included as part of the contract documents so that if people see that the funds are being abused, that we're being mischarged, or that the work isn't being done, they have a ready number in California that they can call. That's both for the Federal Highway Fund and the FEMA funds in this case.

BIDRIGGING INVESTIGATIONS

Mr. LEHMAN. Your office has been involved in highway bidrigging investigations for ten years with some good results. You estimate that the bidrigging fraud still costs the Federal Government hundreds of millions of dollars annually. What additional work needs to be done to reduce this problem?

Mr. DECARLI. Most of the work that still remains to be done is at the state level. They need to continue to take action to increase competition. When they get bids in and the bids are not satisfactory, they ought to be reannouncing those bids. They should be encouraging outside bidders. They ought to be staggering their awards throughout the year so there are sufficient contractors that can bid on these items and, if necessary, they should be dividing up some of these large jobs so that they can get quite a bit of competition.

Mr. LEHMAN. This costs the states a lot of money, also.

Mr. DECARLI. Sure it does.

Mr. LEHMAN. Not just the Federal taxpayer. They have their own incentives to make it work better.

Mr. DECARLI. Yes, there's a state program. On the Federal highway program, we're putting up probably 80 percent of the dollars. But they have their own state programs that if there's bidrigging, it's on both sides of the street.

Mr. LEHMAN. I was just wondering, maybe we ought to have some incentive for the states. If they don't shape up for controlling the speed limits or the drinking programs, we penalize them, but do you have ideas in mind for penalizing——

Mr. DECARLI. We are finding that the states are in fact taking some action. Virginia has just put together a fraud detection, collusion, and monitoring program. Florida, your home state, has just put together a similar program. North Carolina is in the initial stages of putting together a program like that, and 29 of the states have invested recently in enhanced software for bidrigging detection.

Mr. LEHMAN. Is the problem better, worse or about the same as far as you can tell?

Mr. DECARLI. I think Rae Scott will tell you it's almost impossible to tell.

Mr. LEHMAN. I'll frame it differently. What states are getting better and what states are getting worse?

Mr. SCOTT. The states that Rae mentioned are doing the most actively to take over the burden of trying to protect against bidrigging.

Mr. LEHMAN. North Carolina, Virginia.

Mr. SCOTT. And Florida.

Mr. LEHMAN. Florida?

Mr. SCOTT. Florida, yes, sir. They have gone out on their own, through AASHTO to try to look at the front end of contracts rather than depending upon us, for instance, to come in like the cavalry at the end and detect that there has been bidrigging.

Mr. LEHMAN. Do you want to name the bad guys? All the rest?

Mr. SCOTT. I really can't say the rest are bad. Those are the ones that I know have been taking action.

Mr. LEHMAN. Last year, this Committee directed you to assign high priority to bidrigging. What amount of investigative hours went into this bidrigging in each fiscal year from 1988 through fiscal year 1991, and explain any decreases in resources in 1990 or 1991.

Mr. DECARLI. In 1988, we spent 8.9 staff years in bidrigging. Since that time, 1989, 1990 and 1991, we expect it will be at about 5.5. So it is down somewhat from what it was in 1988.

If we look back at 1988, the reason we had 8.9 staff years is that we were finishing up some very large bidrigging cases in the northeastern part of the country. Also, we've had other investigative areas come up on our scope that didn't exist back in 1988.

We've been involved heavily in the pilot match, where we were looking at aviators who had alcohol drinking problems. As you know, we've been involved in some of the fastener investigations, and we've been putting quite a bit of resources in contracts and grants.

Mr. LEHMAN. Sometimes I think that bidrigging is such an integral part of the whole highway construction program that you almost have to do away with the program to do away with bidrigging.

Mr. SCOTT. About the only way I think you could probably completely do away with it is to go to all negotiated contracts, and that isn't the way we see things.

Mr. DECARLI. If we don't issue any contracts, we won't have any bidrigging.

Mr. LEHMAN. That's right.

BIDRIGGING INVESTIGATIVE RESOURCES

Mr. LEHMAN. For the record, please update the information on page 182 of last year's hearing record, which describes staff resources dedicated to bidrigging, and add data for fiscal year 1991.

[The information follows:]

BIDRIGGING INVESTIGATIVE RESOURCES

	Staff years		
	Project	Reactive	Total
Fiscal year:			
1984 [1]	22.8	1.5	24.3
1985 [1]	23.4	2.6	26.0
1986 [1]	10.3	1.3	11.6
1987 [1]	9.0	1.4	10.4
1988 [1]	7.3	1.6	8.9
1989 [1]	3.8	1.7	5.5
1990 [2]	4.0	1.5	5.5
1991 [2]	4.0	1.5	5.5

[1] Actual

[2] Projected

INVESTIGATIVE EFFORTS IN BIDRIGGING

	Fiscal year—				
	1985	1986	1987	1988	1989
Investigative hours	31,754	18,897	17,075	14,580	11,707
Indictments	47	42	60	8	10
Suspension/debarment actions	45	121	25	17	12

BIDRIGGING INVESTIGATIVE RESULTS

Mr. LEHMAN. Please also update the table on page 182 of last year's hearing record which describes antitrust bidrigging investigation results by state.

[The information follows:]

System-wide BID RIGGING INVESTIGATIONS RESULTS
Office of Inspector General
For the Period 02/25/79 - 12/31/89

STATE/TERRITORY	FED. HIGHWAY FUNDS DIST. FY 78-89 $(M)	%	INVESTIGATIONS OIG/STATE	OIG/ATR	OIG ATR/FBI	ATR/FBI	DATE STARTED	INDICTMENTS #	DATE	CONVICTIONS (INDIVIDUALS) #	DATE	CONVICTIONS (CORPORATIONS) #	DATE
Alabama	2942	2.20		X			06/28/83						
Alaska	1704	1.28											
**Arizona	2062	1.55	X	X			01/21/81						
Arkansas	1393	1.04			X		08/25/80	2	01/03/84			2	04/19/84- 06/01/84
*California	10028	7.51		X			04/12/83	10	11/03/86- 07/13/89	2	11/18/86- 11/07/88	4	11/18/86- 04/03/89
*Colorado	2253	1.69	X	X			08/09/84	21	06/14/83- 08/09/84	6	09/15/83- 02/13/84	5	09/15/83- 02/13/84
*Connecticut	2565	1.92		X			12/82	7	09/18/85- 12/12/85	3	01/03/86- 05/13/86	4	01/03/86- 06/24/86
Delaware	557	0.42		X			01/20/82	1	04/10/84			1	06/20/84
Florida	5245	3.93		X			04/08/81	26	02/12/82- 04/24/84	9	08/18/82- 08/15/84	14	03/24/82- 05/16/84
Georgia	3901	2.92		X			07/25/80	41	07/30/80- 02/13/84	24	08/13/80- 10/02/84	17	08/13/80- 03/14/84
Hawaii	980	0.73		X			09/07/82						
Idaho	996	0.75		X			09/01/83						
Illinois	5669	4.25		X									
Indiana	2561	1.92		X			05/04/83						
Iowa	1988	1.49			X		N/A	16	07/23/82- 09/27/85	6	12/03/82- 01/10/86	8	12/03/82- 09/27/85
Kansas	1736	1.30			X		09/22/80	34	04/21/81- 02/04/83	15	11/02/81- 01/10/83	14	11/02/81- 02/14/83
Kentucky	2397	1.80			X		12/01/80	9	04/21/82- 04/18/84	1	06/22/83	2	06/01/83- 06/22/83
*Louisiana	2853	2.14		X			08/20/80	5	03/19/87- 09/05/89	1	06/30/89	1	10/01/89
*Maine	664	0.50		X			10/01/86						
Maryland	3616	2.71		X			01/12/82	29	06/28/82- 08/14/87	12	03/29/83- 04/11/88	12	08/06/82- 10/01/88
*Massachusetts	2175	1.63		X			01/83						
Michigan	3540	2.65		X			09/22/80						
**Minnesota	2802	2.10	X				08/23/83	33	08/03/84- 08/24/84	13	08/10/84- 08/20/84	4	08/10/84- 08/20/84
Mississippi	1513	1.13		X			N/A	3	07/17/80- 02/27/81	1	05/22/81	1	05/22/81
Missouri	2858	2.14		X			07/15/82						
Montana	1282	0.96		X			08/01/84						
Nebraska	1161	0.87			X		12/03/79	32	01/14/82- 09/26/84	12	02/19/82- 12/03/82	12	02/19/82- 04/26/84
Nevada	1121	0.84											
*New Hampshire	639	0.48		X		X	03/29/82						
New Jersey	3187	2.39			X		01/83	25	06/20/84- 09/26/85	8	12/10/84- 01/13/86	9	06/22/84- 08/21/86
New Mexico	1239	0.93	X				04/21/83						
New York	7342	5.50		X			12/10/82	46	02/20/86- 01/26/88	5	07/31/86- 10/20/88	12	06/05/86- 07/18/89
North Carolina	3027	2.27					N/A	67	06/04/80- 02/24/82	39	06/04/80- 03/24/82	26	06/04/80- 04/08/82
North Dakota	826	0.62		X			12/82	5	10/09/85			3	11/06/85- 10/22/87
Ohio	4373	3.28	X	X			07/25/80						
Oklahoma	1726	1.29				X	08/25/80	18	07/07/82- 11/18/86	5	11/15/82- 05/13/87	7	11/15/82- 05/08/86
Oregon	1903	1.43		X			10/06/82						
Pennsylvania	6263	4.69			X		11/25/81	50	10/08/82- 12/29/89	13	10/12/82- 02/20/87	28	02/25/83- 02/20/87
*Rhode Island	922	0.69		X			01/83						
South Carolina	1662	1.25			X		N/A	16	11/25/80- 08/25/82	5	05/21/81- 04/27/82	9	11/25/80- 06/28/82
South Dakota	836	0.63		X			11/01/82	10	08/26/83- 04/09/85	3	02/19/85- 09/23/85	7	09/26/83- 09/23/85
Tennessee	2956	2.21			X		N/A	82	12/14/79- 06/22/81	45	03/07/80- 09/11/81	32	03/12/80- 04/08/82
*Texas	8019	6.01		X	X		07/25/80	65	11/20/81- 10/24/85	20	10/14/82- 03/20/86	36	01/25/82- 03/20/86
Utah	1545	1.16		X			06/15/84						
*Vermont	572	0.43		X		X	N/A	4	06/29/83- 07/06/83	2	04/13/84	2	11/10/83- 04/13/84
Virginia	3468	2.60			X		N/A	63	02/29/80- 05/06/83	29	04/25/80- 04/21/83	24	06/05/80- 06/03/83
Washington	3954	2.96	X	X			11/01/82						
West Virginia	2283	1.71		X			10/01/82						
Wisconsin	2028	1.52	X	X			03/09/83						
Wyoming	852	0.64		X			08/01/84						
American Samoa	12	0.01											
Distric of Columbia	616	0.46											
Guam	44	0.03											
North Mariana Is.	9	0.01											
Puerto Rico	542	0.41		X			07/30/84						
Virgin Islands	44	0.03											
TOTAL	133,451	100.00	7	35	12	3		720		279		297	

N/A - Not Available
* Investigation Pending
** Converted to OIG/State Investigation

	No. of States/Territories	Federal Highway Funds Distributed $(M)	%	States	Investigations Funds $(M)	%
over $1 Billion	40	124,340	93.17	38	121,515	93.50
$500 Million - $1 Billion	12	9,002	6.75	11	8,386	6.50
under $500 Million	4	109	0.08	0	0	0
TOTAL	56	133,451	100%	49	129,901	100%

NON-HIGHWAY BIDRIGGING

Mr. **Lehman**. Please update the table on page 184 of last year's hearing record, which provides data on non-highway bidrigging.

[The information follows:]

NON-HIGHWAY BIDRIGGING RESULT OCT. 1, 1987 TO DEC. 3, 1989

State	Indictments	Convictions	Fines (million)	Confinements
Alabama [1]	1 corps			
Florida [1] [2]	3 corps, 1 indiv	4	$3.05	
Georgia [3]	1 indiv			

[1] Price fixing in the soft drink industry—U.S. Coast Guard contracts.

[2] Price fixing between independent gasoline dealers, U.S. Coast Guard.

[3] Price fixing by pilot examiners who are certified by the Federal Aviation Administration.

BIDRIGGING PENALTIES

Mr. **Lehman**. Please update the table on page 185 of last year's hearing record, which shows penalties by state on bidrigging investigations.

[The information follows:]

BID RIGGING (HIGHWAY RELATED) INVESTIGATIONS RESULTS (2/25/79 - 12/31/89)

STATE	INDICTMENTS	CONVICTIONS		FINES		CONFINEMENTS	
		(Indiv)	(Corp)	Number	Dollars	Number	Years
ALABAMA							
ALASKA							
ARIZONA							
ARKANSAS	2		2	2	953,000		
CALIFORNIA	10	2	4	6	1,845,000	1	0.7
COLORADO	21	6	5	10	1,765,000	6	3.9
CONNECTICUT	7	3	4	5	360,000		
DELAWARE	1		1	1	30,000		
FLORIDA	26	9	14	21	3,842,500	3	1.0
GEORGIA	41	24	17	17	5,285,000	21	2.9
HAWAII							
IDAHO							
ILLINOIS							
INDIANA							
IOWA	16	6	8	9	2,062,500	5	1.2
KANSAS	34	15	14	25	4,356,000	14	10.7
KENTUCKY	9	1	2	3	500,000		
LOUISIANA	5	1	1	1	100,000		
MAINE							
MARYLAND	29	12	12	20	1,909,100	7	1.6
MASSACHUSETTS							
MICHIGAN							
MINNESOTA	33	13	4	14	280,000	9	0.2
MISSISSIPPI	3	1	1	1	200,000		
MISSOURI							
MONTANA							
NEBRASKA	32	12	13	22	4,314,203	11	1.3
NEVADA							
NEW HAMPSHIRE							
NEW JERSEY	25	8	9	16	870,000	2	0.6
NEW MEXICO							
NEW YORK	46	5	12	12	1,370,000	2	0.3
NORTH CAROLINA	67	39	26	36	8,695,000	33	7.1
NORTH DAKOTA	5		3	3	110,000		
OHIO							
OKLAHOMA	18	5	7	12	1,187,600	4	7.0
OREGON							
PENNSYLVANIA	50	13	28	29	3,886,000	13	3.2
RHODE ISLAND							
SOUTH CAROLINA	16	5	9	9	1,475,000	5	2.9
SOUTH DAKOTA	10	3	7	10	870,000		
TENNESSEE	82	45	32	52	8,526,500	21	12.4
TEXAS	65	20	36	55	6,780,000	2	4.0
UTAH							
VERMONT	4	2	2	4	500,000	1	0.1
VIRGINIA	63	29	24	40	6,435,000	24	5.0
WASHINGTON							
WEST VIRGINIA							
WISCONSIN							
WYOMING							
TOTALS	720	279	297	435	68,507,403	184	66.1

BIDRIGGING CONVICTIONS

Mr. LEHMAN. Please update the breakdown on page 187 of last year's hearing record showing the private firms convicted of bidrigging, the state where convicted, and the fine imposed.

[The information follows:]

Corporations Convicted in Highway Related Bid Rigging Prosecutions, March 1, 1985 to December 31, 1989

State Where Convicted and Company	Fine
California, C.V.E., Inc	$210,000
California, Howard Electric, Inc	110,000
California, Rosendin Electric, Inc	800,000
California, Steiney & Company	600,000
Connecticut, Dosch-King Corporation	50,000
Connecticut, Mystic Bituminous Products	50,000
Connecticut, Peckham Materials	200,000
Connecticut, Seymour Sealing Supply	50,000
Louisiana, Heck Industries, Inc	100,200
Maryland, Capitol Wire & Fence	150,200
Maryland, Davis Walker Corporation	250,200
Maryland, Merchants Metals, Inc	100,200
Maryland, Reeves S. E. Corporation	200,200
Minnesota, Allied Blacktop	40,000
Minnesota, Batzer Construction	55,000
Minnesota, McLaughlin & Schulz, Inc	0
Minnesota, Rupp Construction	50,040
Minnesota, Tow Brothers Construction	6,600
Minnesota, Ulland Brothers, Inc	16,500
New Jersey, James Reed Sales	25,000
New Jersey, Jersey Slurry Seal	75,000
New Jersey, Kramer Oil Company	75,000
New Jersey, New York Bitumins	70,000
New Jersey, Penn Jersey Paving	105,000
New Jersey, Somerset Tar	35,000
New Jersey, The Landsdell Company	70,000
New York, Alle-Catt Asphalt	15,000
New York, Allegany Bitumens, Inc	0
New York, American Asphalt Distributors, Inc	85,000
New York, Ascon Distributing Company	100,000
New York, Asphalt Service, Inc	125,000
New York, Bimasco, Inc	0
New York, L&I Krantz Company, Inc	35,000
New York, Penn-Can Road Materials, Inc	135,000
New York, Suit-Kote Corporation	400,000
New York, Sullivan Highway, Inc	50,000
New York, The Landsdell Corporation	75,000
New York, Westchester Corporation	100,000
North Dakota, William Collins, Inc	20,000
North Dakota, S&S Construction Company	35,000
Pennsylvania, A.G. Kurtz Paving	25,000
Pennsylvania, Ger-Shep, Inc	300,000
Pennsylvania, Highway Materials, Inc	100,000
Pennsylvania, KLP, Inc	300,000
Pennsylvania, McMinn's Asphalt Company, Inc	600,000
Pennsylvania, McMinn's Asphalt Products, Inc	0
Pennsylvania, Philadelphia Northeast Constructors and Builders, Inc	30,000
Pennsylvania, Suit-Kote Corporation	100,000
South Dakota, Kometz Construction Company	50,000
South Dakota, McLaughlin & Schulz, Inc	115,000
Texas, J.H. Strain & Sons	402,000
Texas, Jones Brothers Dirt & Paving	250,000
Texas, Leyendecker Highway Construction, Inc	37,500

PRODUCT SUBSTITUTION

Mr. LEHMAN. Product substitution or counterfeiting has been a problem in some areas of manufacturing such as bridge anchor bolts. How big a problem is this in Transportation, and how many of your resources are you allocating?

Mr. DECARLI. It's been a problem in Defense; it's a problem in Transportation. I'll let Rae give you the details.

Mr. SCOTT. Most of the cases that have involved product substitution have dealt with the fasteners industry. We've had cases that have evolved—the National Aerospace standard bolts used in aviation, with bolts used in UMTA buses, bolts used in construction projects on the Federal Highway side. Bad materials have been used in FAA microwave towers and have been the subject of some investigations. We're now looking at a couple of bridge cases that have been in the news, but they're still too early to talk about at this point.

We've put about two-and-a-half to three staff years so far in the last year on product substitution type cases. Again, it would be difficult to say how pervasive in the industry that is, based on the small numbers of cases that we've had.

Mr. LEHMAN. Most of this material is imported?

Mr. SCOTT. Most of it has been imported bolts. The bolts were either mismarked or miscertified as meeting standards.

Mr. LEHMAN. Please elaborate on your answer for the record.

[The information follows:]

We really do not know for sure if it is a widespread problem, and there is no way to tell at this time. However, most of the investigations we have initiated have resulted in evidence of the use of substandard fasteners in the transportation industry. As an example, of the three cases we discussed last year, two have resulted in the indictments of two companies and three individuals, and the third case is still ongoing.

In FY 1989, we initiated four more investigations relating to substandard fasteners. In one investigation, 87 tons of suspect fasteners were confiscated, and U.S. Customs analysis determined that approximately 70 percent of fasteners tested to date were found to be substandard.

We have found that this problem also exists in transportation industries other than highways, most notably in the aerospace industry. The types of product substitution in this industry is quite varied.

Last year, we expended approximately 2 staff years on substandard fastener cases. We anticipate even more staff years will be expended in this area in FY 1990 and 1991.

EXCESS FHWA FUNDING

Mr. LEHMAN. In six separate recent reports, you found significant problems in the Federal aid highways program. You estimated that in 12 states alone, $283 million or one-third of available funding, was excess to project requirements and was sitting unused in various state accounts. Please describe this serious problem and what needs to be done. Is it the fact that the states can't come up with the matching funds, or what?

Mr. DECARLI. No, the problem is there wasn't enough incentive. There's no incentive on the part of the states to deobligate the money once they have it on a project unless they have another project to use it on. Unless somebody's chasing the states constantly to ask them why they are retaining funds on these contracts when the project is either completed or inactive, and to give a good explanation, that money is going to sit idle until they have a need for it.

The Federal Highway Administration wasn't very aggressive in getting the States to take action. They felt that the state had the money, that the state would deobligate it when it didn't need it and that's just not the way it works.

Mr. LEHMAN. Nobody ever returns a free gift.

Mr. DECARLI. The states wait until they find another need for the funds and then switch them over. Forty percent of those funds were related to the interstate system, so if they didn't need them in three years, they could come back to the Federal Highway Administration and be used again for discretionary grants.

Mr. LEHMAN. What kind of incentives do you need to make them return the money that doesn't belong to them?

Mr. DECARLI. I don't know what kind of incentive you can put out there, but the Federal Highway Administration, at least on this report, came up with a pretty good solution as far as I'm concerned. They agreed that they would take their listings of completed and inactive projects, and they would send the list to the states and ask the states why do you need that money. The unprecedented part is they said that if they didn't get a good answer, they would unilaterally deobligate that money. For Federal Highways, that is something they don't easily do.

Mr. LEHMAN. Can we assume that one-third of the fiscal year 1991 request of $12 billion for Federal-aid highways will not be needed for the projects currently planned?

Mr. DECARLI. You cannot make that kind of an assumption. The projects we looked at were only those that had been completed, the remaining funds on those that had been completed, and those that were inactive for over eighteen months. The only place we did a statistically projectable audit was in the twelve states. So we don't have statistically projectable nationwide data. In twelve states we had $283 million. If you were to say just take a guess, although you wouldn't have any statistical reliability, I would say maybe a billion dollars throughout the nation. That is about 5 percent of the Federal-aid to Highway's program.

Mr. LEHMAN. Why did you not consider this issue material enough to report to Secretary Skinner?

[The information follows:]

The issue was not required to be reported to the Secretary based on the Departmental reporting policy on grantee related internal control weaknesses. The Department's policy states that, "If an Administration's program guidance is adequate and it has a reasonable program monitoring system, a related grantee weakness shall not be reported as a material internal control weakness." Although the audit showed that further improvements were needed, we concluded that FHWA's controls over the Federal-aid Project Funds Management Program were generally adequate. This included a reasonable program monitoring system. Therefore, the issue was not considered to be material enough to warrant reporting to the Secretary.

Mr. LEHMAN. Should this work continue to cover other highway regions?

Mr. DECARLI. Not at this time. We picked the 12 states, because we had looked at most of the country in prior audits. Another reason I'd say no is because of the action that the Federal Highway Administration agreed to take. In about two to three years after we give Federal Highway a chance to put their program in place, take those unilateral actions, then it will be time to see whether or not they're in fact working as intended. We need to give them about at least a two-year implementation time and allow them the time to take the action.

UMTA SECTION 9 GRANTS FOR BUSES

Mr. LEHMAN. According to your auditors, UMTA's section 9 grants are being used to procure buses that are far in excess of what is required. What were your findings, and what is UMTA doing to resolve the problem?

Mr. DECARLI. In our view, this is one of UMTA's very serious issues. The problem is the adequacy in UMTA's responsibility for reviewing the grant applications. We're doing the audit in ten of the regions. So far, we've issued seven final reports. We're looking at Fiscal Year 1987 and 1988 bus grants. We're looking at grants for 2877 buses that the Federal Government paid $390 million to buy. We found so far that UMTA funded 393 excess buses at a cost of $52 million.

Mr. LEHMAN. Isn't the main problem the fact that if you have a new bus you have to have a 25 percent match from the transportation property and if they're willing to take an old bus and rehabilitate it you wouldn't get near that kind of a match?

Mr. DECARLI. That's true. The incentives are wrong, and the Secretary has the right idea. When you're putting up most of the money out of the Federal pot, there's not a whole lot of incentive to be efficient. We need to raise the risk factor on the states, our grantees, and the transit authorities by having them put up a bigger share of the money.

They're going to make a lot better decisions if they're putting their money into the pot as well as the Federal money.

UMTA FIELD OVERSIGHT

Mr. LEHMAN. As we discussed earlier, grants management is an overall problem. You told us last year that this is a particular problem with UMTA because they have too few field personnel. Your opening statement indicates that this is still a major problem. Has UMTA improved their field oversight in the last year? In your opinion, would better oversight help to alleviate this problem, including excess procurement of buses? Now, some of that you've already dealt with.

Mr. DECARLI. Better oversight by UMTA would alleviate some of the problems. We're into somewhat of a philosophical issue with UMTA as to what their responsibilities are and how far they really ought to go.

UMTA FUNDS USED FOR SCHOOL BUSES

Mr. LEHMAN. In a similar light, some UMTA grantees were caught using Federal funds to transport students on $150,000 transit buses instead of the $35,000 school buses. Have you any reoccurrences of these abuses? Does UMTA have enough people in the field to know if this is going on?

Mr. DECARLI. Of the two cases we talked about last year at the hearing, one involved SEPTA. It's our understanding that one has been fixed. The other one involved the New York Transit Authority. We still get indications that there are some problems there, buses are still being run that aren't open to the public, there's special routings and markings on buses, and schedules aren't published.

On a broader scale, as part of this peak period bus audit, we reviewed 51 grantees that had 21,000 buses. We looked to see whether or not they were running tripper services in accordance with the existing policy.

We found that there were 361 buses, that's less than 2 percent of what we looked at, and 7 grantees, that's 6 percent of what we looked at, that weren't in full compliance with tripper service regulations.

That doesn't sound like much, but those 361 buses cost the Federal Government about $40 million. So although it's a small percentage of the total fleet, there is still a problem. The way UMTA currently operates, it would be very difficult for them to detect these kinds of problems.

UMTA VALUE ENGINEERING

Mr. **Lehman**. Has UMTA implemented a value engineering program to your satisfaction yet?

[The information follows:]

We are currently conducting the survey phase of a modalwide audit of UMA's Value Engineering Program. While we cannot provide a definitive assessment at this time, preliminary survey results indicate that UMTA has implemented a reasonable Value Engineering Program. However, our survey shows that UMTA's policy requiring the use of value engineering on urban mass transportation projects may need some clarification, and we are planning to address this issue during verification. A draft report on this audit is expected to be issued in the Spring of 1990.

GAS TAX FRAUD

Mr. **Lehman**. Just one other question, then we'll recess until we vote, and we'll come back and do the questions on the justifications.

How much money do you think we lose because of gas tax fraud?

Mr. **DeCarli**. That's been an issue that's been kicked around. It's not in our jurisdiction. It's an IRS issue.

Mr. **Lehman**. I know that. It's Ways & Means.

Mr. **DeCarli**. We've had some allegations and we've passed them over to Treasury. I can't answer your question with any reliability. ity.

Mr. **Lehman**. Just as an intuitive answer, would you say it was probably a bigger problem than bidrigging? It costs more or less than bidrigging? No way you can tell?

Mr. **DeCarli**. I honestly don't know.

Mr. **Lehman**. It's a serious problem?

Mr. **Scott**. The IRS says on general taxing that about 10 percent of the taxes aren't collected that should be. If you used that as a figure, it is a very large problem.

Mr. **DeCarli**. Legislation was recently changed to put the tax at the refinery as opposed to having it at the pump. That should have strengthened the controls. How much good it did, I don't know.

Mr. **Lehman**. That's not chicken feed.

Mr. **DeCarli**. No, it's not.

Mr. **Lehman**. Okay. We'll recess until after the vote.

[Recess.]

VALDEZ OIL SPILL

Mr. **Coughlin**. We will resume the hearings.

Last year following the Valdez oil spill, the Commandant indicated that he was going to request IG assistance to ensure that the Federal Government was properly reimbursed. Have you assisted the Coast Guard after the oil spill and has the Federal Government been properly reimbursed?

Mr. **DeCarli**. We have assisted the Coast Guard. We've looked at the bills that the Coast Guard received from the other Federal departments, because the Coast Guard does have overall management responsibility for that. They're the on-the-scene coordinator.

We've also looked at the Coast Guard and how they were accumulating their internal costs. Exxon has paid close to $80 million to the Federal Government. They're pretty much up to date and there's only a couple of million dollars that's still outstanding.

We have some followup work to do. The Coast Guard is implementing an automated system for tracking those costs, not only for Valdez but for future oil spills, and that system is supposed to be operational by the end of March. We will have people in there in early April to evaluate that system but, we have been in there two or three times since the spill.

MARINER LICENSE MATCH

Mr. **Coughlin**. Earlier you stated that you did a match of mariner license recordings against NHTSA's NDR. What did you find?

Mr. **DeCarli**. We found that there was about a 3 percent rate where mariners had records of alcohol related convictions. That's probably pretty close to what you would find in the general public. There was nothing really outstanding, nothing to draw your attention. The highest category was about 6 percent or so for mates.

JUSTIFICATIONS—CIVILIAN BENEFITS

Mr. **Coughlin**. We will turn to the justifications.

Your request for civilian personnel benefits is $3.5 million, an 8 percent increase over fiscal year 1990. Can you break down the increase and explain why it's necessary?

Mr. **DeCarli**. I can—$54,000 of that is for FICA, $55,000 for FERS basic, $21,000 for FERS special, $40,000 for civil service retirement, $47,000 for health care, $3,000 for life and $32,000 for PCS costs. The reason or the largest increases are obviously FICA and FERS.

We attribute that to a change in the way we recruit our staff. Previously, we were recruiting our journeyman staff from throughout the Government, looking for Grades 11 and 12, people who already had experience. We've changed our philosophy. Now, we're going out to college campuses. We're hiring people directly off the campuses. Part of the reason we're able to do that is because OPM gave us direct hire authority. Therefore, most of the people we're hiring now are coming in under the FERS program. That program is, in fact, costing us more money.

Mr. COUGHLIN. For the record, explain how you arrived at your fiscal year 1991 budget request for personnel compensation and benefits (PCB) expenses, and be sure to include the assumptions used in making that estimate.

[The information follows:]

The FY 1991 budget request for PCB expenses was calculated using actual and projected staffing levels and actual average salaries. We calculated, for each authorized position, the amount of PCB required. We used historical full time equivalent usage and allowed for lapses in hiring when positions are vacated. We also estimated that certain vacancies would be filled at lower grade levels than those of the incumbents vacating the positions. Merit pay increases and within-grade increases were calculated for each employee using time-in-grade and eligibility factors. Merit pay and within-grade increases accounted for an increase over FY 1990 of $242,000.

In addition, we provided for the annualized portion of the January 1990 pay raise of 3.6 percent. This reflects the three months of the pay raise which pertain to FY 1991 (October, November and December 1990). This annualized amount totals $203,000. We also budgeted $773,000 for nine months of the January 1991 pay raise estimated at 3.5 percent. Half of this amount, or $386,000, is to be absorbed by the OIG. The remainder is shown as an increase to PCB over FY 1990. The FY 1991 pay raise amount also includes an additional $90,000 for the proposed pay raises for one executive level and seven senior executive service positions.

An increase of $32,000 over FY 1990 is requested for real estate costs associated with permanent change of station (PCS) moves. We estimate the need for one additional PCS move and this request will cover the additional cost of that move.

TRANSPORTATION OF THINGS

Mr. COUGHLIN. Why is your request for transportation of things up 35 percent in fiscal year 1991?

Mr. DECARLI. We've added one PCS move to our budget in order to transfer staff around the country. We've got a small piece in there for some office moves. GSA is displacing us in a couple of places, and we have to move the staff. We anticipate there will be some moves in Los Angeles, Chicago, Seattle and New York. The whole transportation of things budget is fairly small. The total increase is only about $11,000.

RENTAL PAYMENTS

Mr. COUGHLIN. Rental payments for fiscal year 1991 represent a 26 percent increase over the Fiscal Year 1989 level. Why are such increases necessary? Is there a way to control those costs?

Mr. DECARLI. The increases are attributable to two things. In Fiscal Year 1989, GSA increased its rental rates by 18.5 percent. In Fiscal Year 1990, there's another increase of about 2.5 percent. So that's 21 percent of the 26 percent. We really have no control of these costs.

Previously, these increases were an unfunded item in the budget. Last year, the House prohibited GSA from passing along the increase. The Senate put it in, and in conference it was allowed, but no funding was provided in the budget process.

The remaining 5 percent is for some additional space that we need, it's about 5000 square feet. We've opened some new investigative offices and plan a little expansion.

OTHER SERVICES

Mr. COUGHLIN. Your request for "other services" is $4.6 million in fiscal year 1991. This is a 26 percent increase over fiscal year 1990 and more than twice the funding level for fiscal year 1989. Can you explain what these services are and why their costs are increasing?

Mr. DECARLI. The majority of it is the Defense Contract Audit Agency support. The other parts are training of about $15,000; maintenance of equipment $31,000; building alterations $18,000; household goods storage $15,000; engineering support $6,000; and about $16,000 miscellaneous.

As I mentioned, the biggest part is Defense Contract Audit Agency support. The reason that's increasing is DCAA told us they were going to increase the hourly rate they were charging for contract audit support. They increased the rate from $36 to around $47 an hour. We buy quite a bit of support from them, so that's the basis for the increase.

SUPPLIES AND MATERIALS

Mr. COUGHLIN. In a tight budget environment, why is it necessary to increase your funding for supplies and materials by over 70 percent from $175,000 to $300,000?

Mr. DECARLI. The reason for that increase is that the supplies category of our budget includes computer software. We've been waiting for a number of years for computer capabilities. It has been three years since I've been with Transportation and, compared to where I left Defense, we're still back in the dark ages in terms of our computer capabilities.

We're still using Grid software that was purchased in 1978 and has been obsolete a long time. Our word processing equipment uses DEC software and we can't even get replacements for those DEC machines. They're just plain obsolete. The OATS contract is finally awarded and we're looking forward to replacing that software as part of our supplies category.

EQUIPMENT

Mr. COUGHLIN. Your equipment costs are rising from $195,000 in fiscal year 1990 to $380,000 in fiscal year 1991. Why is this happening? Can some of this be deferred until fiscal year 1992?

Mr. DECARLI. This is an appearance issue. It appears that we're having a big increase. In reality, the Congress appropriated $365,000 last year for that equipment as part of the AICIS program.

What happened, unfortunately, is we weren't able to buy that equipment, because we had to pay additional costs for GSA building rental, and because we had to pay some of the payroll increases. We had to, in fact, move money around. We moved money from that hardware account to pay those recurring bills and weren't able to buy that equipment.

So it's an appearance problem. It's not that big a jump. If you compare it to what we were appropriated last year to what we had requested, it's about the same amount of money. A very slight increase.

BONUSES AND AWARDS

Mr. COUGHLIN. Provide the amounts budgeted in fiscal year 1991 for Senior Executive Service bonuses and awards and non-SES merit pay. Also provide the number of positions eligible for such funding, and average awards for fiscal year 1988, fiscal year 1989 and fiscal year 1990.

[The information follows:]

We budgeted $11,000 for Senior Executive Service bonuses and $264,000 for non-SES performance and incentive awards in FY 1991. Two SES bonuses are approved for OIG each year. One is at the 8-10 percent level and the other at the 5-7 percent level of the recipient's SES salary. The non-SES performance awards are based on 1.4 percent of the salaries of those employees eligible on the rating of record. Incentive awards are based on special merit recognition and are submitted by the employee's supervisor. The following table depicts the average awards given in FY 1988, FY 1989 and FY 1990.

	FY 1988		FY 1989		FY 1990	
	Eligibles	Average Amount	Eligibles	Average Amount	Eligibles	Average Amount
SES:						
Bonuses 1/	7	$4,550	7	$6,562	7	$5,530
Presidential Rank Award 2/	7	$10,000	7	$0	7	3/
Non-SES:	442	$884	459	$832	404	$817
PMRS	185	$1,086	176	$973	177	$941
PMS	257	$720	283	$702	227	$710
Incentive 4/	509	$571	534	$569	477	$566

1/ Two recipients each year.

2/ One recipient nominated each year.

3/ One person has been submitted for a $10,000 Meritorious Executive Award which is pending approval.

4/ Persons eligible for incentive awards include all individuals who were employed by the organization at any time during the year including those who later separated.

TRAINING

Mr. COUGHLIN. Your justification speaks of "additional GAO mandated training requirements." What are these requirements and what is their estimated Fiscal Year 1991 cost? Do you believe this additional training is needed at this time?

Mr. DECARLI. Back in January of 1989, the General Accounting Office's new auditing standards went into effect. We're required to comply with those standards. It's a mandatory requirement.

Part of the standards require that each auditor has 80 hours of continued training every two years. Included in that 80 hours, at least 24 hours has to be continuing education related to Government auditing.

It was a mandated requirement. The kinds of training we're providing includes computers, fraud detection, statistical sampling, report writing and workpaper preparation. These are the kinds of skills that you really need to produce good quality audits and reports.

The total cost of the program is about $220,000. That's not just for the auditors, but for the entire staff of 450 people. It's up about 7 percent.

OUTSIDE CONSULTANTS

Mr. COUGHLIN. Break down all funding requested for outside consultants in fiscal year 1991. Compare that level to fiscal year 1989 and fiscal year 1990.

[The information follows:]

FY 1991 funding for outside consultants is $38,000. This consists of $25,000 for engineering consulting services and $13,000 for specialized laboratory testing services associated with investigations. The amount of funding we expect to spend in FY 1990 is $19,000 for engineering consulting services. In FY 1989, we spent approximately $1,300 for these services. The increase in funding results from our reliance on timely and independent engineering support for audits and investigations involving highly technical issues.

Mr. COUGHLIN. For the record, provide a listing of the services provided by each consulting contract.

[The information follows:]

Contractual Professional Engineering Services are required to provide necessary technical assessments of DOT funded programs under review by OIG auditors and investigators. Currently, we employ one engineer who provides technical support. However, the workload for the past years and requirements for expertise in specialized technical areas has necessitated additional engineering support as provided on an ad hoc basis through these contracts.

One consultant, Saeed Associates, was used to independently review and evaluate (1) Washington Area Metro System's evaluation of the cause of the distress to the VanDorn Street (Fairfax County, Virginia) bridge and (2) the adequacy of the proposed remedial action. The other consultant, Sidhu and Associates, provided technical support for the investigation of a Coast Guard contractor's performance of electronic equipment calibrations.

In FY 1991, a consulting service contract will provide for specialized laboratory testing services used in conjunction with investigations, such as document and handwriting examination.

FTES FOR GRANT AND SUBSIDY AUDITS

Mr. COUGHLIN. Your latest semiannual report describes grants oversight as a major management issue. Under the Single Audit Act, the OIG is responsible for providing audit oversight of grantees. How many FTEs of work are budgeted for grant and subsidy audits in fiscal year 1991, and how does this compare to fiscal year 1990? Does that reflect increased attention to a major management issue?

Mr. DeCarli. The FTEs that we are spending on single audits has remained constant at ten FTEs in 1989, 1990 and 1991. There has been no change there.

If you looked at FTEs used on single audits, it does not indicate this is a major management emphasis on our part. But you can't look at it from that context. We have an internal audit function, and we have an audit planning process. As part of that process, we decide where we want to place our audit emphasis and we program specific audits.

We have 28 grant audits planned. Those grant audits will take up 43 of our FTEs or about 20 percent of our internal audit staff. If you look at what we're spending, ten FTEs on the single audit side and another 43 FTEs on the internal side, or 53 of our audit resources, you can see that grants are receiving a lot of audit emphasis.

INTERNAL WORKLOAD

Mr. Coughlin. Break down FTE staff of internal audit workload by Modal Administration for fiscal year 1989, fiscal year 1990 and fiscal year 1991.

[The information follows:]

INTERNAL AUDITS FTE's

Mode	Actual fiscal year 1989	Estimated fiscal year 1990	Estimated fiscal year 1991
OST	25	40	38
USCG	44	45	45
FHWA	31	45	47
FAA	76	54	54
FRA	1	5	2
UMTA	34	20	27
NHTSA	2	5	2
RSPA	8	2	2
MARAD	3	8	7
SLSDC	1	1	1
Totals	225	225	225

DCAA INCREASE

Mr. Coughlin. Could you explain why there is a 27 percent increase in Defense Contract Audit Agency prices in fiscal year 1991?

Mr. DeCarli. According to Defense, their prior rate structure was a composite rate that included a full load of contract audit and contract administration functions. Those contract administration functions involved lower graded people than the contract audit function—quality assurance specialists and contract administration people of various types.

Defense decided to charge a rate to recover actual cost for the Defense Contract Audit Agency to deliver an hour of service. That rate, after excluding contract administration functions, is about $47 an hour.

Mr. COUGHLIN. Please elaborate on your answer for the record, citing relevant cost figures.

[The information follows:]

The Defense Contract Audit Agency (DCAA) has informed us that they are increasing rates to fully recover their cost of providing contract audit support. DCAA notified us in November 1989 that they would increase their billing rate for FY 1990 from $37.46 to $47.49 per hour, retroactive to October 12, 1989. We have appealed the increase to both the Office of Management and Budget (OMB) and DCAA. However, the issue is currently unresolved for FY 1990 and we do not know which rate we will have to pay. If it is determined that the higher hourly rate must be paid, we may have to reduce our funding in other program areas in FY 1990. Based on our appeal to OMB, our FY 1991 budget submission was adjusted upward by $859,000.

DCAA AUDIT REIMBURSEMENTS

Mr. COUGHLIN. Please update the DCAA audit reimbursement table found on page 209 of last year's hearing record by adding a column for fiscal year 1991.

[The information follows:]

SUMMARY OF DCAA AUDIT REIMBURSEMENTS, FISCAL YEARS 1989, 1990, and 1991

Modal Administration	Fiscal year 1989 actual	Fiscal year 1990 4-month actual billings	Budget	Fiscal year 1991 budget
FAA	$974,000	$509,000	$733,000	$1,407,000
USCG	282,000	105,000	645,000	725,000
FHWA	32,000	21,000	143,000	225,000
OST	95,000	13,000	67,000	18,000
UMTA	43,000	15,000	25,000	200,000
RSPA	64,000	15,000	645,000	493,000
FRA	36,000	46,000	9,000	115,000
NHTSA	2,000	8,000	114,000	36,000
MARAD	36,000	13,000	59,000	80,000
Total	1,564,000	745,000	2,440,000	3,299,000

DCAA COST COMPARISON

Mr. COUGHLIN. Please also update the DCAA cost comparison table found on page 210 of last year's hearing record.

[The information follows:]

COST COMPARISON—AUDIT COST PER STAFF YEAR

	Fiscal year—		
	1989 Actual	1990 Estimate	1991 Estimate
DCAA billing rates	$37.46	$47,40	$47.49
Cost per staff year, OIG	36.29	38.69	41.52

USE OF DCAA

Mr. **COUGHLIN**. According to information provided last year, DCAA billing rates increased almost 20 percent between 1987 and 1990. With another increase of 27 percent proposed for fiscal year 1991, is it time to consider other options for contract audit services?

Mr. **DECARLI**. If I was in the Department of Interior or somewhere like that, I'd honestly tell you yes. Sitting in the Department of Transportation, I have to say no.

The reason I make that distinction is when you look at where DCAA has staff compared to where the contractors used by the Coast Guard and FAA are located, they're predominantly the same contractors.

DCAA has a presence in those plants. They're doing the contract audit work there for Defense, and I think it would be inadvisable to send a second audit organization into those same plants. Those companies would be complaining that they have two sets of auditors, probably doing some things differently. DCAA has a presence there, and in many cases, they're physically located there. To send my staff there, or a staff I would contract, would only increase the cost.

Probably less than 10 percent of the contractors with which the Department does business are not normally served by the Defense Contract Agency. For those, it would make sense and it's something that we could look at—should we be doing those ourselves. But for the rest of them the answer is clearly no.

Mr. **COUGHLIN**. Are these increased rates a result of declining defense budgets, which means higher overhead charges for non-defense users?

Mr. **DECARLI**. Not to the best of our knowledge. We've been told, and I have no reason to believe otherwise, that the higher rates are based on the policy decision to charge actual contract audit costs as opposed to a composite rate for contract audit and contract administration.

TRAVEL COSTS

Mr. **COUGHLIN**. For fiscal year 1991, the Office of Surface Transportation and Secretarial Programs and the Office of Aviation, Marine and Research Programs each request 45 FTE staff. However, the latter office requests 52 percent more travel funding. Please explain why per capita travel costs are so much higher for that office.

[The information follows:]

Travel funds requested for the Office of Aviation, Marine, and Research Programs (JA-20) were significantly higher than those requested for the Office of Surface Trasnportation and Secretarial Programs (JA-10) because of variations in the types and locations of modal programs, functions, and activities audited by each office.

JA-10 expends a significant portion of its resources on audits where activities are carried out in the Washington, DC area. In these instances, the need for travel funds are limited. Examples of these audits are the Working Capital Fund; Cash Management; and Accounting, Controlling, and Reporting Funds Status. On the other hand, JA-20 expends the majority of its resources on audits in the FAA, USCG, and MARAD where the programs, functions, and activities are decentralized outside of Washington, DC and travel funds are required to perform reviews at a representative sample of field locations. Examples of such audits are the Airport Improvement Program, Maintenance and Activation of the Ready Reserve Force Vessels, Requirements for and Utilization of Aircraft, Performance of Falcon Jet Aircraft, and FAA and USCG Underground Fuel Storage Tank Programs. Travel funds are required to perform reviews at a representative sample of field locations.

COMPUTER MAINTENANCE COSTS

Mr. Coughlin. Please explain why maintenance costs for your automated office equipment in the Office of ADP Audits and Technical Support increases 62 percent in fiscal year 1991, and why software maintenance increases 22 percent.

Mr. DeCarli. The hardware maintenance cost is where the real big increase exists. The equipment we purchased in 1989 and the equipment we expect to purchase in 1990 will come with a manufacturer's warranty. In those years, we'll take full advantage of that warranty for maintenance purposes.

Once we get to 1991, those warranties will have expired, and we're going to have to go to a maintenance program or a maintenance contract to keep that equipment operational.

AICIS INCREASE

Mr. Coughlin. ADP Hardware and software procurement is budgeted at $421,000 for fiscal year 1991, a huge increase over the $120,000 provided for fiscal year 1990. Describe why such an increase is needed.

[The information follows:]

In FY 1990 Congress appropriated $365,000 (of our request for $400,000) for ADP procurements. Because of absorption of GSA rent increases and additional pay and benefit costs in FY 1990, we deferred $245,000 of our AICIS project until FY 1991 and later. Most of the increase of $301,000 represents deferral of our requirements from FY 1990. Our original estimate for FY 1991 ADP hardware and software procurements, as shown in the FY 1990 hearing record, was $560,000. As a result of the deferral of some of the planned FY 1990 computer purchases, we reevaluated the AICIS project and extended the period of implementation from 5 to 7 years.

Mr. Coughlin. Expand on your answer for the record, with details on each proposed purchase and how it will contribute to your overall audit objectives.

[The information follows:]

The ADP procurements include $330,000 in hardware and related training, and $91,000 in software which are part of the AICIS project. These acquisitions will be made using FAA's Office Automation Technology and Services (OATS) competitive contract.

The $330,000 for hardware will be used to (i) replace existing obsolete word processing equipment with modern microcomputers ($185,000), (ii) provide training on this new equipment ($20,000), (iii) provide Local Area Networking capabilities ($60,000), and (iv) upgrade our minicomputer during the latter part of FY 1991 to support the increased microcomputer user base ($65,000).

The $91,000 for software will be used to replace our obsolete word processing and audit/investigative microcomputer software. The OATS contract will be used to standarized the office automation software ($61,000) and to acquire the minicomputer software ($30,000) required for our planned minicomputer upgrade.

These purchases will replace prior generation word processing and microcomputer hardware and software and provide local automation, storage, print support, and connection to the major Department computer systems. This will support the first phase of the AICIS project which will enhance overall OIG productivity by providing (i) the ability to perform more comprehensive and complex audits and/or investigations, (ii) enhanced office automation and communications, and (iii) significant improvements in OIG report presentation and timeliness.

REGIONAL OFFICE SAVINGS

Mr. **Coughlin**. Some regional offices appear to be much better at producing dollar savings than others. For example, Regions 4 and 9 saved an average of $59 for every dollar spent on personnel costs, whereas Regions 2 and 10 averaged a cost recovery of only $15 for every dollar spent. Are some regions more productive than others?

Mr. **DeCarli**. The work that we do in different regions, and the kinds of DOT activities in the regions, is different. In the Massachusetts area, there's TSC and a lot of Coast Guard activities. You get out in the Kansas City area, and you don't have that much in terms of DOT functions.

One of the variations is the kind of transportation issues that are there. Another issue is the kinds of audits that we emphasize in each of the regions. If Region 2 is working on safety related audits, they are not likely to find large dollar savings. If Region 4 is working on safety audits, their dollar savings are going to go down.

So it's an indication of the kind of audit they do and the workload mix. That's clearly one of the factors. It also varies from year to year. If you looked over a period of time you'd find that one year a region is up, the next year it's down. You would have to do a trend analysis to really make that kind of decision over the long term. The key to me is how well are we doing as an entire organization.

Mr. **Coughlin**. For the record, please list total budget and total dollar impact of report findings for each OIG regional office for fiscal year 1990 and fiscal year 1991.

[The information follows:]

ESTIMATED TOTAL BUDGET

Regional office	Fiscal year 1990	Fiscal year 1991
JRA-II	$1,596,000	$1,645,000
JRA-III	1,001,000	1,031,000
JRA-IV	1,606,000	1,654,000
JRA-V	1,098,000	1,131,000
JRA-VI	1,550,000	1,597,000
JRA-VII	1,286,000	1,324,000
JRA-IX	1,781,000	1,835,000
JRA-X	1,227,000	1,266,000
Total	11,145,000	11,483,000

The system of internal controls and the adequacy of management oversight must be reviewed on each audit project. Where controls are strong and there is good management oversight, the dollar impact of the audit work will not be substantial. Where this is not the situation, and the audit has economy and efficiency objectives, substantial dollar impact may be identified. Prior to completing a review of the internal controls and testing transactions, estimates of the dollar impact of planned audits cannot be made.

LENGTH OF TIME TO COMPLETE AUDITS

Mr. **Coughlin**. What is the expected average time in months to complete an OIG audit report, and how does that break down by survey, implementation and report processing phases? Please compare such data with statistics from fiscal year 1988 and fiscal year 1989.

[The information follows:]

The length of time required to complete an OIG audit, from survey to final report, varies significantly from audit to audit. OIG management utilizes the audit survey to identify problem areas, define the audit scope, locations, and approach. At the conclusion of the survey, a formal debriefing is held to present the survey results. Information discussed at the debriefing provides OIG management a basis to establish specific timeframes and staffday estimates to complete the verification phase of the audit.

At the completion of audit verification, a second formal debriefing is held to discuss the audit results, conclusions reached, and tentative findings and recommendations. OIG management then establishes timeframes for drafting the audit report based on issues discussed at the verification debriefing.

AVERAGE TIME TO COMPLETE OIG PROGRAM AUDITS

[In months]

Phase	Fiscal year 1988	Fiscal year 1989
Survey	2.3	[1] 2.9
Verification	2.8	[1] 3.6
Draft report	2.7	2.1
Awaiting response to report	1.5	[2] 2.1
Final report	.9	.9
Total	10.2	11.6

[1] The time to complete the survey and verification phases of OIG audits increased from FY88 to FY89 because our audit emphasis shifted from small local audits to Departmentwide and Modalwide audits.

[2] DOT Order 8000.1 was revised to provide management 60 days to respond to the draft report and 60 days to the final report. Previously, management was allowed 45 days to respond to the draft report and 90 days to respond to the final report. Since the draft report contains the entire text of management comments, we allowed more time so that they could thoroughly develop their position at that time. Our experience had been that management infrequently changed its position in response to the final report and we, therefore, reduced the time for the final reponse by 30 days.

REPORT RESOLUTION

Mr. COUGHLIN. After you issue a report, the recommendations must be "resolved" with affected agencies. For fiscal year 1989, the number of resolved reports dropped significantly from 760 to 670. Are the agencies fully cooperating in working to resolve these recommendations, or are they dragging their feet?

Mr. DECARLI. No, we're getting good cooperation in resolving them. The number of resolved audit reports is a function of how many audit reports we issued. To find out how well we're doing in terms of resolving reports, you need to look at the number of audit reports that remain unresolved, and particularly those that remain unresolved over a six month period.

If you look at those numbers over the 1988-1989 period, the number unresolved ranges from 102 to 141, and the 141 is somewhat of an aberration, because the IG amendments were changed and we had to pick up contract audit as part of that number. So part of that is something that could be adjusted out if you wanted an even data base. The number of audits unresolved were between five and 12. We do a pretty good job on resolving the outstanding issues.

Mr. COUGHLIN. Please expand on your answer for the record, citing statistics on overdue actions by modal administration.

[The information follows:]

For the 6-month period ended September 30, 1989, 141 audit reports remained unresolved. Audit reports are considered "unresolved" until management decisions are made on all the report recommendations. Management is allowed 6 months from the report issuance date to resolve report recommendations before decisions rendered are considered overdue. Only five of the 141 reports issued to three Modal Administrations have been unresolved for more than 6 months. All five reports have been referred to the Departmental Resolution Official and management decisions are expected before the end of decision are summarized in the following chart by Modal Administration.

STATUS OF AUDIT RESOLUTION

Modal Administration	Unresolved reports	More than 6 months old
FAA	51	2
UMTA	42	1
FHWA	29	2
USCG	8	0
OST	3	0
NHTSA	3	0
FRA	2	0
MARAD	2	0
RSPA	1	0
Total	141	5

HOTLINE COMPLAINTS

Mr. COUGHLIN. The number of hotline complaints continued its 3-year slide in fiscal year 1989, dropping from 829 compliants in fiscal year 1986 to 390 complaints in fiscal year 1989. What's causing the continued drop, and when will it bottom out?

Mr. DECARLI. Rae, do you want to take that one?

Mr. SCOTT. Yes. We have had several things that have happened over the years with hotlines. For one, the Department has picked up nine additional hotlines that address various things, such as safety and consumer complaints. These take up a lot of the calls that we included in our earlier counts. If you take those out, you'll see that the calls just about average out.

If we look at actionable complaints, the ones that we've actually targeted for some sort of action, they've stayed pretty level. For instance, in 1983, we had 188 actionable complaints with a very much higher call ratio. In 1989, we had 264 that we took action on. So we're doing a better job of screening.

Mr. COUGHLIN. Has hotline staffing declined over that period?

Mr. SCOTT. We have one permanent paraprofessional assigned to that staffing.

MANAGEMENT ADVISORY SERVICES

Mr. COUGHLIN. Your office provides management advisory services to the Department, including technical advice on information systems. How many FTEs do you have dedicated to these services and why can't at least some of these activities be contracted out?

Mr. DECARLI. That's a fairly small operation. There's no dedicated people to the function. We use the auditors, the investigators and some of our management support staff to do that work. It averages about one FTE a year. It's usually the kind of work that you have to have knowledge of the Department and a knowledge of its procedures to do. Mostly it's quick turn around things like the Valdez incident and how many mariners have alcohol related impairements.

You have to know what the data bases are, have access to the computers, be able to analyze or process the information and present the results fairly quickly.

OIG INTERNAL REVIEWS

Mr. COUGHLIN. It seems that the worst run agencies are often those with the least oversight on their activities, hence the need for Inspector Generals. However, the same rule applies to all organization. I'm sure you'd agree that someone also needs to watch the watchdog. What audit resources do you dedicate to internal review within the OIG to ensure the maximum efficiency of your own operation?

Mr. DECARLI. We have an aggressive internal control process. We describe it as a three-legged stool or a three-prong process.

For starters, we rely on the staff to do a quality job. We give them checklists and tell them how important quality is, so we're pressuring the staff as they're doing the work, trying to build the quality into the job.

The second leg is that both on the investigative and the audit side, we use some of our own resources to go out to the offices at least once a year, pick at least one project in each office and do a quality control review, using, at least on the audit side, a President's Council on Integrity and Efficiency guideline. We use the guideline to critique our audit work.

John Lainhart's Office of Policy and Procedures goes out every three years to look at every office. He's independent of both of us, and he looks to see how well our quality review programs are working. He also reviews some other projects to see whether or not we're meeting our quality standards.

This sounds pretty comprehensive. It's taking about three FTEs, and we believe that quality is important. We know the IG work gets a lot of scrutiny. It gets a lot of scrutiny from management, and it's important that when we issue something that it is right.

Mr. COUGHLIN. Please expand on your answer for the record, citing relevant FTEs, and include a discussion of field office oversight.

[The information follows:]

Quality is of paramount concern to the Office of Inspector General. We hire well-qualified individuals to be our auditors and investigators, provide them with formal classroom and on-the-job training, and provide them formal written policy and procedures to guide them in performing their jobs. All active audits and investigations are closely supervised.

Every audit and investigative report is also reviewed at headquarters to determine whether the audit or investigation meets our standards for clarity, objectivity, timeliness, professionalism, and usefulness to the ultimate reader. Our headquarters staffs are also interested in whether the audit or investigation was conducted in accordance with the audit or investigative plan. Our staff also examines the work product in light of the amount of resources that were committed to the project. If the audit or investigation has ramifications for other offices, those offices are notified, so that we can be as efficient as possible.

In addition to desk reviews conducted in headquarters, our headquarters audit and investigative quality control staffs visit each of our field offices at least once a year to conduct on-site reviews. The purpose of the reviews is to determine whether formal policies and procedures are being followed. We use comprehensive inspection guidelines to assure the thoroughness of our work. Each office inspection is documented by a written report, with findings and recommendations. Findings regarding possible problem areas are shared with other offices, so that corrective actions may be taken organizationwide. Followup inquiries are also made to ensure that recommendations are acted on and that any deficiencies are corrected.

In addition to desk and field reviews conducted by our headquarters audit and investigative staffs, we have a quality assurance review program, which is managed by our Assistant Inspector General for Policy, Planning, and Resources. His staff conducts independent reviews of each of our headquarters and field offices on a three-year review cycle. Each review results in a written report with findings and recommendations, to the Inspector General. Followup inquiries are also made to ensure that recommendations are resolved and deficiencies are corrected. These quality assurance reviews follow very structured evaluation programs to ensure that the headquarters and field offices are carrying out their work in accordance with established standards, policies, and procedures contained in GAO's "Government Auditing Standards," applicable OMB circulars, PCIE guidance, Federal Rules of Criminal and Civil Procedure, rules of evidence, and the OIG's Operating Procedures Manual. In addition to conducting the quality assurance reviews, our Office of Policy and Procedures also samples and verifies the accuracy of entries made to the OIG management information system.

We are proud of our quality control and quality assurance programs and we feel that they are essential to maintaining our professional credibility. Our program requires about three additional FTEs to do the field office reviews and involves expenditure of travel funds for field office reviews. However, we feel that the benefits far outweigh the modest expenses involved.

INVESTIGATIVE OFFICE PROCUREMENTS

Mr. COUGHLIN. Your fiscal year 1991 request includes $8,000 to procure additional copying machines. The justification states that this equipment is needed to satisfy privacy concerns of investigative cases. However, your investigative workload is not expected to increase in fiscal year 1991. Why should you need more in-house copying capability?

[The information follows:]

We conduct many sensitive investigations which should only be viewed by those on a "need to know" basis. In addition, as information in many cases is obtained through Federal grand jury proceedings, we are precluded by the Federal Rules of Criminal Procedure from divulging such information to any individual not on the grand jury list. As we share photocopying capabilities with other functions of DOT/OIG, and in some situations with DOT modes, it is not always possible to provide the secure environment necessary in which to photocopy these sensitive investigative documents or reports.

In addition, we have added several new post-of-duty in the last two fiscal years that do not have photocopy capability.

DOT/OMB STAFFING REDUCTIONS

Mr. COUGHLIN. Did DOT or OMB make any staffing reductions to your fiscal year 1991 request? If so, can you describe which positions were deleted and the impact on your operations.

Mr. DECARLI. There were no reductions either made by OST or OMB.

AICIS PROJECT COSTS

Mr. COUGHLIN. Please update the charts found on pages 228 and 229 of last year's hearing record concerning AICIS project costs.

[The information follows:]

TOTAL AICIS COSTS BY FISCAL YEAR

(Dollar Amounts in thousands)

ITEM	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Hardware Purchase:							
Microcomputers	$120	$205	$140	$140	$140	$140	$140
Minicomputer Upgrades		65	150	150	170	170	170
Local Area Networks		60	60	60	70	70	70
Total	120	330	350	350	380	380	380
Software Purchase:							
Microcomputers		61	40	40	40	40	40
Minicomputer Upgrades		30	30	30	40	40	40
Local Area Networks			30	30	30	30	30
Total		91	100	100	110	110	110
Total	120	421	450	450	490	490	490

FY 1991 AICIS COSTS BY OIG OFFICE

Office of Inspector General Organizational Office	# of Micros	Cost of Micros	Other Costs As Shown	Total
Headquarters Offices				
Administrative				
Office of Policy & Procedures	2	$10,250		
Office of Planning & Resources	1	5,125		
Office of Personnel	1	5,125		
Investigative				
Deputy Assistant IG	1	5,125		
Office of Washington Operations	1	5,125		
Audit				
Deputy Assistant IG	2	10,250		
Office of Surface Transportation and Secretarial Programs	3	15,375		
Office of Aviation, Marine, and Research Programs	3	15,375		
Office of ADP Audits and Technical Support (See Note 1)	3	15,375		
Local Area Network			$60,000	
Minicomputer Upgrades			65,000	
Microcomputer Software			61,000	
Minicomputer Software			30,000	
Regional Offices				
Investigative				
Baltimore, Maryland	1	5,125		
Atlanta, Georgia	1	5,125		
Chicago, Illinois	1	5,125		
Fort Worth, Texas	1	5,125		
San Francisco, California	1	5,125		
Audit				
New York, New York	3	15,375		
Baltimore, Maryland	2	10,250		
Atlanta, Georgia	2	10,250		
Chicago, Illinois	2	10,250		
Fort Worth, Texas	2	10,250		
Kansas City, Missouri	2	10,250		
San Francisco, California	3	15,375		
Seattle, Washington	2	10,250		
TOTAL	40	$205,000	$216,000	$421,000

Note 1 - The Technical Support Group in the Office of ADP Audits and Technical Support provides all ADP systems support for the OIG. Thus, the minicomputer, LANs, and all software are maintained by this group.

Note 2 - The average microcomputer cost of $5,125 consists of microcomputer processor, monitor, shared printer, and an estimated $500 in associated training per machine.

CLOSING REMARKS

Mr. COUGHLIN. Mr. Chairman, that concludes the questions.

Mr. LEHMAN. Thank you, Mr. Coughlin. I want to thank Mr. DeCarli, Mr. Scott, and Mr. Lainhart, who are very engaging witnesses. Your testimony will be very helpful as we move through the hearing process.

Mr. COUGHLIN. Thank you very much.

Mr. LEHMAN. The meeting is adjourned.

THURSDAY, MARCH 15, 1990.

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

WITNESSES

STANLEY W. SMITH, CHAIRMAN, ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

HOWARD ADAMS, VICE CHAIRMAN, ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

ROBERT BROSTROM, CHAIRMAN, PLANNING AND BUDGET COMMITTEE

LAWRENCE W. ROFFEE, EXECUTIVE DIRECTOR

BARBARA GILLEY, ADMINISTRATIVE OFFICER

JAMES RAGGIO, GENERAL COUNSEL

JUDITH NEWTON, DIRECTOR, OFFICE OF COMPLIANCE AND ENFORCEMENT

RUTH LUSHER, DIRECTOR, OFFICE OF TECHNICAL AND INFORMATION SERVICES

DENNIS CANNON, TRANSPORTATION ACCESSIBILITY SPECIALIST

Mr. LEHMAN. The Subcommittee will come to order. Today we will receive testimony on the fiscal year 1991 budget request for the Architectural and Transportation Barriers Compliance Board. The principal witness today is Chairman Stanley W. Smith.

Mr. Smith, we will be pleased to hear your statement at this time. You may read it or you may prefer to summarize it. We will insert your entire statement into the record.

OPENING STATEMENT

Mr. SMITH. I have a very, very short statement. Let me give you the essence of it, at least.

It is a pleasure to be here this morning, Mr. Chairman, to testify on behalf of the Architectural and Transportation Barriers Compliance Board. Let me introduce the people that are at the table with me.

On my left we have James Raggio, the General Counsel of the Board. To my immediate left is Larry Roffee, the Executive Director of the Board. On my right is one of our committee chairman of the Board, Bob Brostrom, who is an employee of the C&P Telephone Company. And on my far right is Dennis Cannon, who is one of the employees of the Board who has been very deeply involved in the research and has supplied a good deal of information for the Americans with Disabilities Act.

FY 1991 REQUEST

We are here to present our reasons for our fiscal year 1991 appropriations request of $2.1 million. But in a larger sense, we are here on behalf of an estimated 43 million Americans with disabilities that deserve an opportunity to enter into the mainstream of life in America today.

The challenge is important not because these millions of people have been denied basic rights, they have been, but it is important because this is a resource that we need in this nation today. We cannot afford to ignore this resource the way we have ignored it in the past.

Our role is promoting and, in some cases, enforcing accessibility design. We simply have to have accessible schools, universities, housing, public accommodation and transportation systems, and work places if we are going to integrate these people into the mainstream of our society.

With this in mind, we have recently expanded our basic mission of the organization. We strongly believe that accessible design benefits all of the people and it is good business.

Our 1991 appropriations request reflects our belief that it is vitally important to reach out with a message, instead of relying simply on people coming to us with complaints.

Our program for 1991 includes: public forums to hear grassroots accessibility concerns; formal training on accessible design standards for Federal agencies, states, and local governments, and public entities; production of a videotape presentation on our uniform Federal accessibility standards; development of course materials for presentation of accessibility of transportation facility designs; and publishing advisory guidelines to meet the needs of the hearing and visually impaired people using mass transit facilities and airports. I could go on. It is a long list of things we intend to do.

ANNUAL REPORT

This appropriation is necessary to let the Board pursue these programs. We hope that you will endorse that belief and provide us with the requested amount. For the record, Mr. Chairman, I suggest that a copy of our annual report for the fiscal year 1989 be entered into the record.

[The information follows:]

ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

FISCAL YEAR 1989 ANNUAL REPORT

A YEAR OF REACHING OUT

In contrast to last year's focus on revitalization and reorganization of the Architectural and Transportation Barriers Compliance Board, fiscal year 1989 has been a year of reaching out to the public and other Board constituencies to inform and educate them about the requirements and benefits of accessible design. In January 1989, the Board adopted a public outreach plan to coordinate, focus and strengthen existing promotional activities. The Board chose to call itself the "Access Board" to reflect a more open and positive image.

Highlights of the Access Board's efforts to reach out to more people were:

- Three (3) public forums focusing on current accessibility issues.
- Forty (40) formal training sessions on the Uniform Federal Accessibility Standards (UFAS).
- Technical projects focused on accessible and adaptable housing.
- New and revised publications tailored to specific audiences.
- Expanded and refined technical assistance capabilities.
- Improved coordination with other Federal agencies to promote the resolution of complaints under the Architectural Barriers Act (ABA).
- Expanded work with other Federal agencies to promote research and dissemination of information.
- Comprehensive review of the Minimum Guidelines and Requirements for Accessible Design.
- Successful completion of a Federal TDD relay system demonstration project.

PUBLIC FORUMS

In fiscal year 1989 the Access Board continued its policy of holding every other meeting in a major metropolitan area outside Washington, D.C., to hear from people with disabilities and others interested in speaking directly to the Board about current accessibility issues. Public forums were held in New Orleans, Tampa and Portland, Oregon. In Tampa, over 4,000 people attended the joint meeting of the Board and the President's Committee on Employment of People with Disabilities. At the Portland meeting, the city was commended for its accessible transit system, and two local employers, Safeway and Tektronics, received recognition for reducing barriers and promoting employment of persons with disabilities.

Public Forum Issues. In order to focus the issues raised at the forums while encouraging a wide range of speakers, the Access Board worked closely with local organizations to invite people to comment on accessible transportation, public accommodations, employment, housing and recreation. In addition to people with disabilities, local public officials, employers and representatives from local transit authorities were invited to participate.

Specific issues or concerns voiced at these open meetings included:

- restrictions on assigned airplane (exit-row) seating for visually-impaired or blind travelers;
- the need for government materials to be usable by blind and visually impaired persons;
- wider availability of telephone communication devices for deaf persons (TDDs) in public facilities including airline terminals and government offices;
- misinterpretation, lack of strict enforcement, and the need for greater uniformity of accessibility standards and codes;
- lack of accessibility on many college campuses; and
- the need to better publicize that accessible buildings and facilities meet the needs of all people and also can be aesthetically pleasing and cost effective.

These public exchanges offer several benefits. They provide Board members with a better perspective on current issues and concerns while giving people throughout the country an opportunity to speak directly to Federal officials.

UFAS TRAINING

A major component of the Access Board's outreach efforts are formal training presentations on the requirements of the Architectural Barriers Act and the Uniform Federal Accessibility Standards to Federal agencies and other public and private entities. In fiscal year 1989, Access Board staff conducted more than forty (40) training sessions at various locations nationwide. Participants included officials from the departments of Defense, Education, Energy, Interior, and Health and Human Services; the Central Intelligence Agency; the General Accounting Office; and the U.S. Postal Service. Board staff also gave presentations at conferences held by private entities, including the Educational Facilities Planners' Conference, the American Institute of Architects, the American Council of the Blind, and the American Public Transit Association. Board staff also took part in a video teleconference on emergency planning and egress for people with disabilities broadcast on the Federal Emergency Management Agency's emergency network. Another video conference on the UFAS standards was presented to officials from all ten Education Department regional offices.

TECHNICAL PROJECTS - FOCUS ON HOUSING

The Access Board designated fiscal year 1989 as a focus year on accessible and adaptable housing. In keeping with the public outreach effort, major emphasis was placed on projects that would maximize useful information. The Board has experienced an increase in requests for simple "how-to" guidance for designing accessible housing and easy-to-use UFAS reference materials. Several projects were funded in fiscal year 1989 to meet this need, including the preparation of a housing accessibility information system to provide technical information on accommodating the housing needs of people with disabilities to a variety of audiences; the development of a concise manual for modifying existing built environments in compliance with the provisions of UFAS; and the preparation of a checklist for reviewing plans for newly constructed facilities to ensure conformance with the new construction requirements of UFAS.

Fire Safe Accessible Housing. The Access Board joined with the U.S. Fire Administration to sponsor the construction of a fire-safe accessible house to identify and demonstrate state-of-the-art technological solutions to both fire safety and accessibility in housing for people with disabilities.

The Board assisted the National Institute on Disability and Rehabilitation Research (NIDRR) in the initial development of a five-year grant by the NIDRR to North Carolina State University for a research and training center on accessible housing. Further technical assistance to North Carolina State University will include assistance with curricula development, the review of training materials and reports, and development of demonstration projects.

NEW AND REVISED PUBLICATIONS

During fiscal year 1989, the Access Board developed several new publications based on previous Board technical papers. The objective was to provide easy-to-use information targeted to various audiences.

New technical publications developed by the Board were:

- Visuals Alarms provides information on technical specifications and suggested placement of visual alarm systems.
- Hands-On Architecture presents design guidelines for controls and other operating features to assure usability by people with hand manipulation impairments.
- Transit Facility Design for People With Visual Impairments presents the results of previous research on signage, tactile surface treatments, and information systems for persons with visual impairments for transit facility designers and operators.
- Assistive Listening Systems provides updated information on technological developments in equipment designed to assist people who are hearing impaired.
- Auditory Alarms provides information on alarm systems for people who are visually impaired.

Publications initiated in fiscal year 1989 were:

- A technical assistance brochure on the appropriate location, signage, and use of TDDs in airports to assist hearing-impaired persons.
- A brochure featuring working drawings and descriptions of mobility aid securement on transit vehicles to provide often requested information to transit agencies, consumers, and local government agencies.

In addition to these new publications, the Board provided articles for publication in several national periodicals including:

- A series of articles which featured general accessibility to picnic areas, campsites, and trails was written for Design, a quarterly publication of the National Park Service.
- An article on ways to make accessibility compatible with preserving the historic significance of buildings was written for the Construction Specifier.
- An article on the application of the Architectural Barriers Act to transportation was printed in the National Journal of Rehabilitation and Passenger Transport, a publication of the American Public Transit Association.

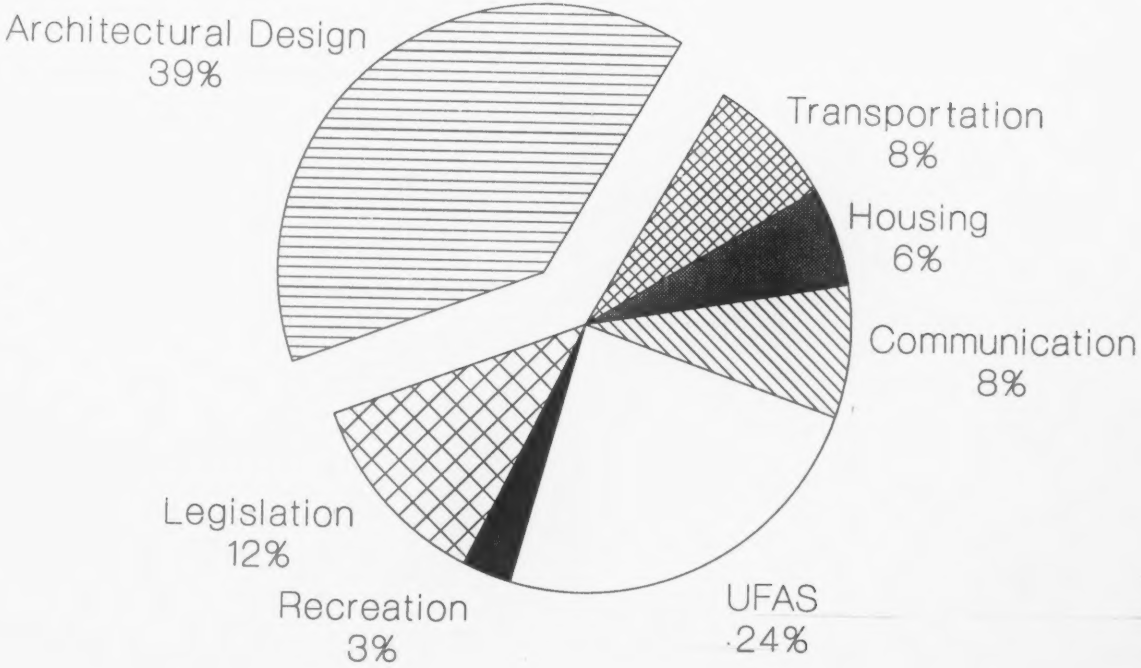
EXPANDED TECHNICAL ASSISTANCE

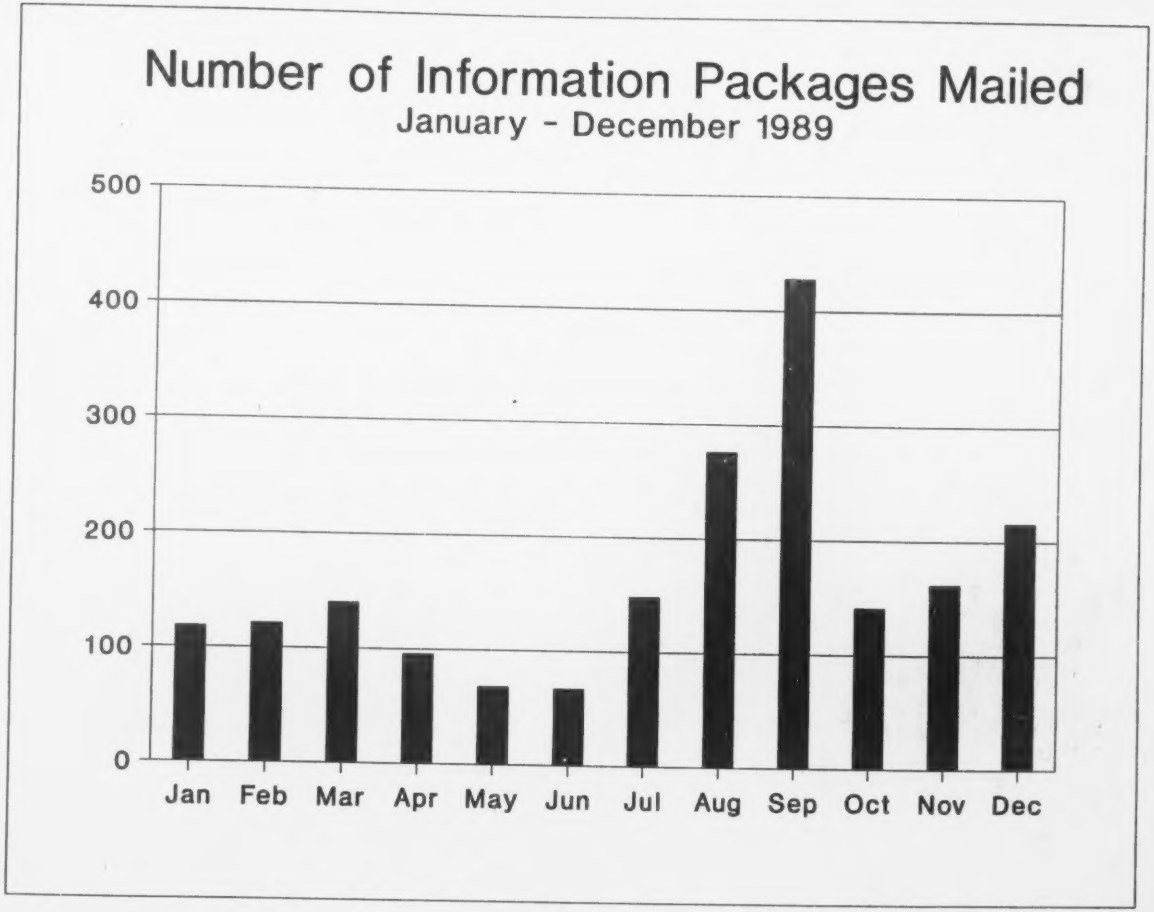
In fiscal year 1989, the Board's Office of Technical and Information Services (OTIS) continued to provide technical assistance and referral services for Board member agencies, other Federal agencies, state and local governments, and private entities. OTIS responded to approximately 3,000 requests for technical assistance and information. This included mailing more than 1,300 information packages and 21,000 copies of UFAS. A majority of these requests came from Federal agencies and consumers, and involved issues of architectural design, UFAS provisions, transportation, and legislative developments. Examples of assistance provided by the Board include:

- Consultation on accessibility to the Presidential Inaugural Committee.
- Guidance and information on emergency egress to the American Association of Retired Persons.
- On-site reviews of accessibility at the Capitol and recommendations to the staff of the Architect of the Capitol on making the Old Senate Chamber accessible.
- Assistance to the National Endowment for the Arts on accessibility laws and codes and meeting with representatives from the Soviet Union on general accessibility and access to the arts.
- Technical assistance to Montgomery County, Maryland, Department of Transportation in the development of its accessible bus program.
- Assistance to Boston's Metropolitan Transit Authority in developing an accessibility policy and on the application of UFAS in new construction and retrofit situations.
- Technical assistance to the Department of Housing and Urban Development on the content and scope of accessibility standards to be issued under the Fair Housing Amendments Act.
- Information on state accessibility code requirements and the cost of accessibility to the Council of Economic Advisors and to the White House Office of Policy Development.
- Information on emergency evacuation procedures and equipment to assist the Chancellor's Office at the University of California, Los Angeles, develop an emergency plan.

Type of Requests

January - December 1989




Number of Information Packages Mailed
January - December 1989
500
400
300
200
100
0
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Increased Requests. Over the past year requests for technical assistance and information have increased steadily. The graph on the following page shows the increases which have occurred in calendar year 1989. The number of packages mailed in response to inquiries averaged only slightly more that 100 per month during the first six months of the year. In the last six months, they averaged well over 200 per month with a high of 428 requests in September 1989. The increase can be attributed to the Board's outreach activities and increased interest in accessibility issues due to the pending Americans With Disabilities Act.

To assure efficient and comprehensive technical services, the Board has worked to maintain and update its technical resource library. Substantial progress was made on a new computerized library catalog system. Easily retrievable descriptions were written for more than 2000 of the 3000 library documents. Additionally, a technical project was funded to update the Board's accessibility products information file.

IMPROVED COMPLAINT RESOLUTION AND ENFORCEMENT

In fiscal year 1989, the Access Board set records in both the number of cases resolved (317) and the number of cases where corrective actions were taken to eliminate the barrier (154).

During the year, 176 complaints were received and investigations begun. This reflects a slight decrease in complaints received over the past few years when 200 a year or more were opened. Complaints were received about facilities in 34 states, the District of Columbia and the U. S. Virgin Islands. At the end of the fiscal year, 195 complaints were under investigation or being monitored until completion of corrective action.

Corrective action to eliminate the accessibility barrier(s) was taken in 154 or almost half of the 317 closed cases. The Postal Service was particularly effective in resolving complaints, completing corrective action in 81 cases. Most of the work involved making the front entrance of the post offices accessible. The Postal Service's recent survey program for leased facilities has served to greatly expedite resolution of such cases.

Examples of Barriers Removed. Notable examples of other corrective actions were: accessible rest rooms made available in a Louisiana park; curb ramps and wheelchair lifts installed at various buildings on a military base in Colorado; conforming sidewalks and curb cuts installed in small towns in New York and Illinois; the route to and the viewing platform made accessible near an already accessible bird blind in a wildlife refuge in New Jersey; and conforming parking spaces installed at colleges for deaf and hearing-impaired persons in New York and Washington, DC. Transit facilities made accessible included railroad stations in New York and Philadelphia; airport parking lots in Maryland; and curb cuts at several subway stations in the Washington, DC, area.

These achievements reflect major Board efforts to improve coordination and communication with the other Federal agencies. Federal agency staff responsible for planning, designing, leasing, and altering Federal facilities are more aware of the accessibility requirements. Also, assignment of the Board's compliance specialists to work with specific Federal agencies has improved communications and brought about closer working relationships. Periodic meetings to discuss complex issues and outstanding cases with staff in agencies who handle Architectural Barriers Act complaints have resulted in more efficient investigations and more timely resolution of cases.

During fiscal year 1989, the Board's Office of Compliance and Enforcement finished a long-term project to fully automate its complaint records. Using the Complaint Tracking System (CTS), it is now possible to produce various reports instantaneously, including a comprehensive chart of complaint statistics since fiscal year 1977. A detailed report of complaints involving a particular agency can be prepared. Reports of the number of complaints received about a certain barrier, e.g., ramps, or about a particular building, or from a specific city or state also can be compiled. Other CTS capabilities for more efficient processing include automated reports on follow-up dates and corrective action completion dates.

The summary table on the following page provides an historical overview of the complaints filed with the Board from fiscal year 1977 through September 30, 1989. The bar graph shows the relation of the number of cases closed and the number of cases received since 1980.

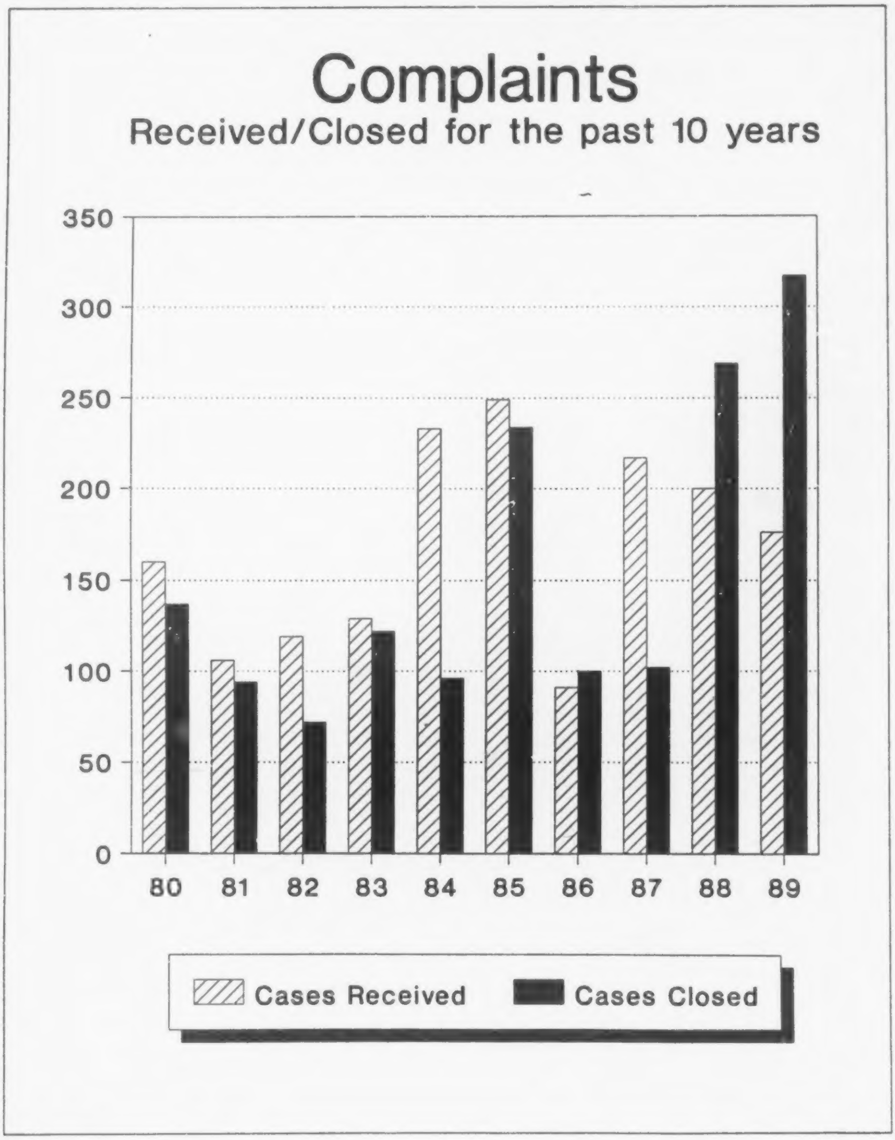
Citation Issued. The Access Board has assumed a more aggressive posture towards enforcement of the Architectural Barriers Act and in fiscal year 1989, the Board took legal action to resolve a long-outstanding case. In the spring of 1986, a complaint was filed with the Board alleging that Federal funds were used to construct and renovate stations on the Philadelphia subway system without providing for accessibility, in violation of the Architectural Barriers Act. The Board negotiated corrective action with the City of Philadelphia and Southeastern Pennsylvania Transportation Authority (SEPTA) to install elevators and other accessibility features in several train stations, but was unable to reach agreement on installing elevators in two stations--Second Street and Spring Garden Street.

In May 1989, the Access Board started formal proceedings before an administrative law judge to resolve the case. As time for the hearing neared, the City of Philadelphia agreed to install two elevators at the Second Street Station. The Board agreed to dismiss the case against the Spring Garden Street station based on review of an engineering study prepared for the hearing. The Spring Garden Street station facility is a very narrow island platform station tucked between the lanes of an interstate highway. The engineering study examined possible locations for installing an elevator at the station and found potential safety hazards at each location. An accessible bus route will run from an adjoining accessible train station to the Spring Garden Street area.

STATUS OF COMPLAINTS BY FISCAL YEAR RECEIVED
(FY 1977 - FY 199)

REPORT DATE: September 30, 1989

FY	COMPLAINTS RECEIVED		UNDER INVESTI-GATION	MONITORING CORRECTIVE ACTION	INTENT TO CLOSE LETTER SENT	COMPLAINTS CLOSED					TOTAL CLOSED BY FY CLOSED
								CLOSED FOR:			
	TOTAL	% CHANGE FROM PREVIOUS FY				TOTAL	% TOTAL RECEIVED	CORRECTIVE ACTION	NO JURIS-DICTION	NO VIOLATION	
1977	100		0	0	0	100	100.%	50	44	6	49
1978	155	55.%	0	0	0	155	100.%	60	83	12	141
1979	176	13.5%	0	0	0	176	100.%	92	78	6	174
1980	160	-9.1%	0	1	0	159	99.4%	62	86	11	137
1981	106	-33.8%	0	0	1	105	99.1%	38	62	5	94
1982	119	12.3%	0	2	1	116	97.5%	56	51	9	72
1983	129	8.4%	3	1	1	124	96.1%	56	55	13	122
1984	233	80.6%	8	6	0	219	94.%	75	135	9	96
1985	249	6.9%	1	8	0	240	96.4%	75	148	17	234
1986	91	-63.5%	3	5	3	80	87.9%	26	49	5	100
1987	217	138.5%	11	18	2	186	85.7%	86	85	15	102
1988	200	-7.8%	16	14	0	170	85.%	39	114	17	269
1989	176	-12.%	78	8	4	86	48.8%	11	73	2	317
TOTAL	2111		120	63	12	1916	90.8%	726 (37.9%)	1063 (55.5%)	127 (6.6%)	


Complaints
Received/Closed for the past 10 years
350
300
250
200
150
100
50
0
80
81
82
83
84
85
86
87
88
89
Cases Received
Cases Closed

TECHNICAL PROJECT COORDINATION

To maximize its limited resources, the Access Board has made a special outreach effort to coordinate its technical projects with those of other Federal agencies. In addition to the work with the U.S. Fire Administration and the NIDRR described earlier in this report, the Board also completed the final editing, design, and dissemination plan for the brochure "Towards An Accessible Environment: Effective Research." This publication which summarizes outstanding accessibility research projects is the result of the efforts of the Access Board, the National Institute on Disability Research and Rehabilitation, and the Interagency Committee for Disability Research. The publication is intended to encourage research professionals and funding agencies to support follow-up projects. The Board also continued to work closely with the Department of Transportation to complete a jointly sponsored demonstration project which was begun in 1985 for the purpose of showing accessible placement and vandalism protection of TDDs in the Baltimore-Washington and Miami international airports.

In a project to further improve its technical information dissemination and outreach activities, the Board has worked with the National Technical Information Service (NTIS) to place Board publications and reports in NTIS catalogs and centralized listings of technical information for dissemination to libraries nationwide.

MGRAD REVIEW AND ANSI REVISION

The principal emphasis of the Access Board's research and technical program is to develop and refine the Minimum Guidelines and Requirements for Accessible Design (MGRAD). MGRAD is the basis of the Uniform Federal Accessibility Standards issued under the Architectural Barriers Act by the four standard-setting agencies, the Department of Housing and Urban Development, Department of Defense, the General Services Administration, and the U. S. Postal Service. Projects previously completed or under way have addressed major areas, such as windows and detectable warning surfaces, that were reserved in earlier versions of MGRAD. With the most recent MGRAD revision which incorporated much of ANSI A117.1-1986 (published February 3, 1989), all reserved sections were completed. However, the Board is committed to maintaining MGRAD, and its sister document UFAS, as the state-of-the-art standards since the majority of the technical requirements contained in the documents are based on studies conducted in the middle 1970's by the Department of Housing and Urban Development.

MGRAD Review. To ensure that MGRAD and UFAS remain state-of-the-art standards, the Board adopted a five-year MGRAD review cycle and plan. During the first year (FY 1988), an in-depth review of the current MGRAD provisions was initiated. The third year (FY 1990) will focus on research and technical projects to resolve issues raised by the review.

During fiscal year 1989, Board staff provided technical direction and oversight for the MGRAD review initiated in FY 1988. The project consisted of four major components: a comparison of domestic and selected foreign accessibility codes and standards with a summary of state accessibility requirements; a comprehensive literature review; the development of recommendations for the modification of MGRAD and UFAS; and the development of recommendations for needed research.

In August 1989, the Board approved three MGRAD follow-up technical projects for funding in fiscal year 1990. These projects will investigate and make recommendations concerning problems in the current provisions for accessible parking and passenger loading zones; develop children's accessibility requirements for inclusion in MGRAD; and prepare a detailed and illustrative guidebook on the provisions of MGRAD and UFAS. Development of work statements for these projects was initiated in FY 1989.

ANSI Revision. The timing of the MGRAD five-year review cycle is set so the Board can use the information to assist the ANSI A117.1 Committee with making revisions to that standard. The Board is a member of the ANSI Secretariat and will chair the ANSI task force on operating features as well as participate in the other task forces which will prepare a detailed set of recommendations for revision of the ANSI standards.

FEDERAL TDD RELAY SYSTEM

On March 20, 1989, the General Services Administration (GSA) officially assumed operation of the TDD Relay Pilot Project. The project was originally initiated by the Access Board in 1985, in cooperation with the Department of the Treasury, to test the operational feasibility of a TDD relay service for the Federal government and to develop preliminary cost information. Limited funding could support only one operator in space provided by Treasury; however, the efficiency and practicality of such a system was demonstrated and lead the way for the Telecommunications Accessibility Enhancement Act of 1988. This act created the statutory framework for a permanent Federal TDD relay system and gave responsibility to GSA for its operation. GSA was also required to take over and maintain a Federal government TDD directory originally started by the Board. At the end of FY 1988, the Board allocated $25,000 to continue operation of the pilot project until GSA could take control. In its first week of operation under GSA, the service relayed 310 calls, approximately twice the number which could be handled by the pilot project.

MANDATE AND ORGANIZATION
ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

The Architectural and Transportation Barriers Compliance Board is an independent Federal agency charged with ensuring that certain facilities designed, constructed, leased or altered with Federal funds since September 1969 are accessible to and usable by persons with disabilities.

Authorized under section 502 of the Rehabilitation Act of 1973 (Public Law 93-112), the ATBCB has a governing board of 23 members. The President appoints 12 public members (six must be disabled) to three-year terms, and the other 11 are the heads (or designees) of the departments of Defense, Education, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, Transportation, and Veterans Affairs; the General Services Administration; and the U.S. Postal Service.

The Board's legislative mandate is to ensure compliance with standards prescribed under the Architectural Barriers Act (Public Law 90-480) and to:

(1) propose alternative solutions to barriers facing handicapped persons in housing, transportation, communications, education, recreation and attitudes;

(2) determine what Federal, state, and local governments and other public or private agencies and groups are doing to eliminate barriers;

(3) recommend to the President and Congress legislation to eliminate barriers;

(4) establish minimum guidelines and requirements for standards issued under the Architectural Barriers Act;

(5) prepare plans for adequate transportation and housing for handicapped persons, including proposals to cooperate with other agencies, organizations, and individuals working toward such goals;

(6) develop standards and provide technical assistance to any entity affected by regulations issued under Title V of the Rehabilitation Act of 1973;

(7) provide technical assistance on the removal of barriers and answer other questions on architectural, transportation, communication, and attitudinal barriers affecting physically handicapped persons; and

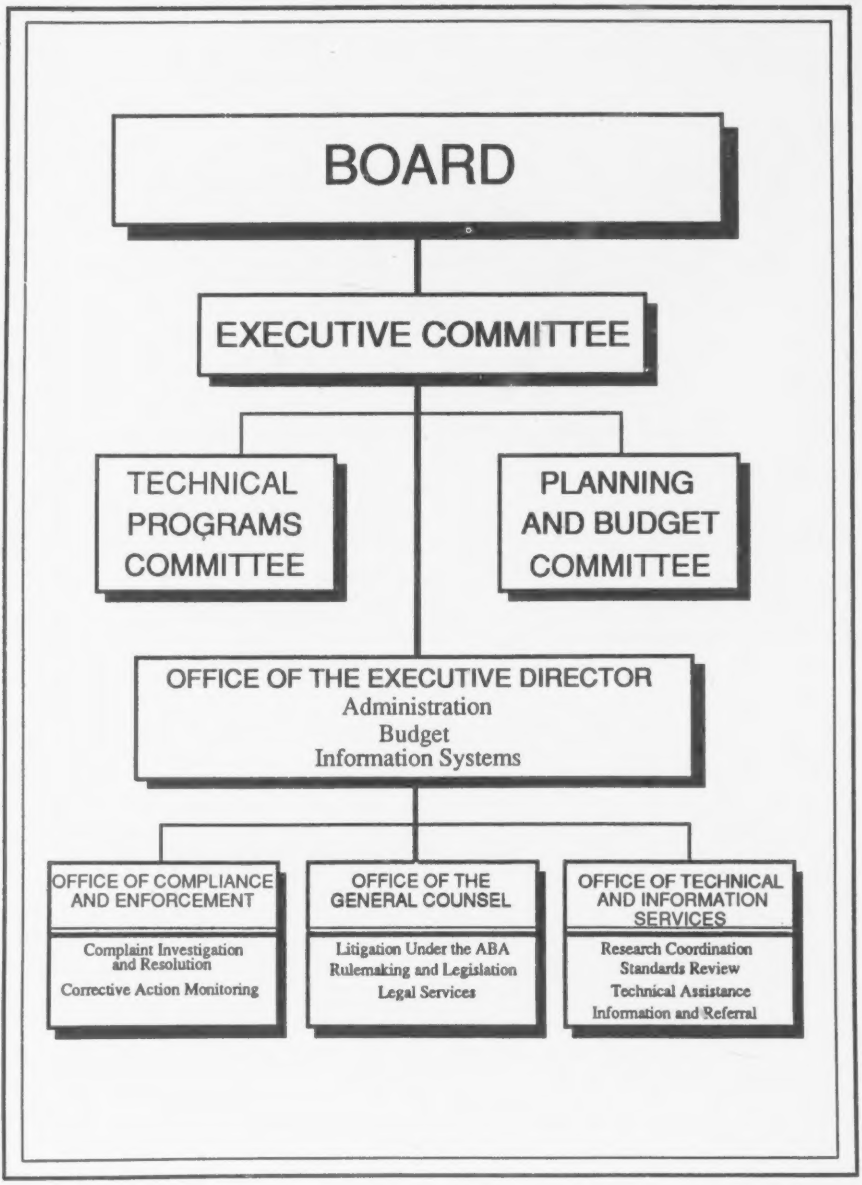
(8) ensure that public conveyances, including rolling stock, are usable by handicapped persons.

The 23-member board meets six times a year to conduct the agency's business, establish policy, and set directions. The Board is organized into three committees:

- The Executive Committee which oversees routine policy and management functions, and compliance and enforcement operations;
- The Technical Programs Committee which is responsible for the agency's research and technical assistance programs; and
- The Planning and Budget Committee which develops the Board's budget and other plans to carry out Board objectives. Ad hoc committees on Public Affairs and Communication Barriers were created in fiscal year 1989.

The agency's staff is organized into four units:

- Office of the Executive Director develops and implements agency policies and procedures, and provides administrative and logistical support for the agency.
- Office of Compliance and Enforcement investigates and resolves complaints concerning compliance of Federal and federally funded buildings and facilities with the Architectural Barriers Act of August 12, 1968, and monitors corrective action.
- Office of the General Counsel provides legal services for the agency and initiates formal legal proceedings to enforce the Architectural Barriers Act when informal resolution is not achieved.
- Office of Technical and Information Services provides government agencies, public and private organizations, and individuals with technical information and training on the elimination of architectural, transportation, communication, and attitudinal barriers.


BOARD
EXECUTIVE COMMITTEE
TECHNICAL PROGRAMS COMMITTEE
PLANNING AND BUDGET COMMITTEE
OFFICE OF THE EXECUTIVE DIRECTOR
Administration
Budget
Information Systems
OFFICE OF COMPLIANCE AND ENFORCEMENT
Complaint Investigation and Resolution
Corrective Action Monitoring
OFFICE OF THE GENERAL COUNSEL
Litigation Under the ABA
Rulemaking and Legislation
Legal Services
OFFICE OF TECHNICAL AND INFORMATION SERVICES
Research Coordination
Standards Review
Technical Assistance
Information and Referral

ATBCB BOARD MEMBERS--1989

Members who served through the expiration of their terms until December 3, 1988, were Richard Chavez of West Covina, California, and Lane A. Carson of Covington, Louisiana.

CHAIR AND VICE CHAIR

Stanley W. Smith	Elected Chair on May 8, 1989
Howard Adams	Elected Vice Chair on May 8, 1989

PUBLIC MEMBERS

Howard Adams	Phoenix, Arizona, serves until December 3, 1989
Robert C. Brostrom	Fairfax, Virginia, serves until December 3, 1991
Stephen B. Bull	Washington, D.C. serves until December 3, 1990
Susan Castle	Phoenix, Arizona, serves until December 3, 1991
Gene A. Chappie	Georgetown, California, serves until December 3, 1989
Robert A. Cothren	Birmingham, Alabama, serves until December 3, 1991
Eugene C. Johnson	Washington, D.C. serves until December 3, 1990
Robert T. Kelly, Jr.	Miami, Florida, serves until December 3, 1989
William H. McCabe	Winsted, Connecticut, serves until December 3, 1990
Howard Stone	Bethesda, Maryland, serves until December 3, 1991
Glen R. Stotler	Berkeley Springs, West Virginia, serves December 3, 1990
William J. Tangye	Birmingham, Alabama, serves until December 3, 1989

FEDERAL MEMBERS

Michael J. Astrue	General Counsel, Department of Health and Human Services
Gordon Mansfield	Assistant Secretary for Fair Housing and Equal Opportunity, Department of Housing and Urban Development

Allen B. Clark, Jr.	Assistant Secretary for Veterans Liaison and Program Coordination, Department of Veterans Affairs
Robert Davila	Assistant Secretary for Special Education and Rehabilitative Services, Department of Education
Robert P. Davis	Solicitor, Department of Labor
Lou Gallegos	Assistant Secretary for Policy, Budget, and Administration, Department of the Interior
Rebekah T. Johnson	Deputy Administrator, General Services Administration
Christopher Jehn	Assistant Secretary for Force Management and Personnel, Department of Defense
Jeffrey N. Shane	Assistant Secretary for Policy and International Affairs, Department of Transportation
Stanley W. Smith	Assistant Postmaster General, U. S. Postal Service
James Turner	Acting Assistant Attorney General for Civil Rights, Department of Justice

BIOGRAPHY

Mr. **Lehman**. Thank you, Mr. Smith. Since this is your first appearance before the Committee as chairman, we will also insert your biography at this point in the record.

Mr. **Smith**. Thank you.

[The information follows:]

Stanley W. Smith, Chair

Currently chairman of the ATBCB, Smith is assistant postmaster general in charge of the Facilities Department at the U.S. Postal Service, Washington, D.C. An MIT graduate, Smith spent over 30 years with AT&T where he rose from engineer to president of AT&T Resource Management Corporation. He has served on the board of directors of the New Jersey Alliance for Action and on the advisory boards to the New York University Real Estate Institute and to Governor Cuomo on real estate matters. He has been a commissioner of New Jersey's Land Use Commission and a member of the Business Roundtable Construction Committee and of the Real Estate Board of New York.

A registered engineer, Smith is a member of the National Society of Professional Engineers and the Institute of Electrical and Electronic Engineers. Also with a background in real estate, he is a member of the National Association of Corporate Real Estate Executives and the Urban Land Institute. A Nebraskan, Smith is a member of the board of trustees of his alma mater, Doane College in Crete, Nebraska.

Robert C. Brostrom, Chair, Planning and Budget Committee

An engineering employee with C&P Telephone Company in Fairfax, Virginia, Brostrom has been a member of the ATBCB since the spring of 1986. A New Yorker, Brostrom is a graduate of Florida Atlantic University, Boca Raton, Florida. He is the former chairman of the Fairfax County Committee on Disabled Persons and a former president of the Annandale Virginia, Jaycees.

ACCESSIBILITY PROBLEMS

Mr. **Lehman**. What do you believe are the most serious accessibility problems facing handicapped individuals? What impact, if any, can your Board have on reducing these problems?

Mr. **Smith**. Well, from the broadest possible perspective, we are absolutely convinced that the major problem is lack of public awareness of the advantages and importance of accessible design.

We need, as an organization, to be able to show that accessible design is aesthetically pleasing, it is not costly, and it allows many people to lead productive independent lives.

From a narrower perspective, from a functional point of view, transportation, clearly, is the most serious accessibility problem.

Mr. **Lehman**. You were a member of the Board prior to becoming Chairman. What is your assessment of the Board itself? How effective has the Board been in trying to achieve accessibility?

Mr. **Smith**. I believe that what you have seen as the Board comes to you over the years is a maturing Board. One that has reached a very effective level in carrying out its missions. Our programs and publications have been well received. Our messages reach a good variety of important audiences.

In 1989, we provided over 40 training sessions to various organizations. And the number of requests for technical assistance and training the Board receives is increasing dramatically. I think all of this is evidence that we are doing our job well.

BOARD'S JURISDICTION

Mr. **Lehman**. Last year, former Chairman Tangye said that he believed three legislative changes were needed to strengthen the Board's authority. One would require adherence to new construction standards in newly constructed leased buildings. The second would bring existing buildings acquired by the Government under the Architectural Barriers Act coverage. And the third would bring all buildings constructed with Federal grants and loans under the Act's coverage.

What is your position regarding these three changes to the Board's jurisdiction? If you agree with the need to make them, have you submitted or do you intend to submit such legislation? If you don't agree, why not?

Mr. **Smith**. One of the changes that has been proposed will be made moot if ADA passes in its present form. That is the change that provides that newly constructed buildings leased by the Government must conform to the new construction standards. That would be covered under ADA.

Mr. **Lehman**. Is that the House or Senate version or both?

Mr. **Smith**. Both. I am sure that is true.

Mr. **Raggio**. Yes. Both bills would require all newly constructed buildings to be accessible.

Mr. **Smith**. We support the other two changes to require existing buildings acquired by the Government to come under our coverage and all buildings constructed with Federal grants and loans to come under our coverage. The language has been worked out by the Department of Justice. They have been submitted to OMB. And I will support their passage in any way I can.

ENFORCEMENT EFFORTS

Mr. **Lehman**. There has been some criticism that the Board only acts on the basis of complaints filed by outside parties. These critics believe that you are reactive rather than proactive.

What is your response?

Mr. **Smith**. Well, it is true that our compliance and enforcement efforts have been complaint driven in the past. That is largely because we don't feel that we have the legislative authority to conduct proactive compliance reviews the way EEOC or the Office of Federal Contract Compliance would.

We have moved to change our emphasis, change our mission statement to concentrate more on public outreach efforts that will change the tone of our work in the future.

Mr. **Lehman**. Do you think you should have more responsibility to be proactive? Or have you asked for this?

Mr. **Smith**. We have not asked for that. It is a very complex question. We think as long as we can be successful in achieving accessible design, we are better off to work with the Agencies and the rest of the Federal Government on having them completely willing to do this rather than having that kind of heavy stick to use.

Mr. **Lehman**. Do you have a two-year term?

Mr. **Smith**. One year.

Mr. LEHMAN. One-year term. During this one year, what is the one thing you would like to look back on and say, this is what I accomplished?

Mr. SMITH. I am not sure that I can say that I have personally been responsible for accomplishing——

Mr. LEHMAN. If you could write the history of your term, what would you like to write?

Mr. SMITH. I think that the thing that has happened during the term that I have been Chairman and I can't take credit for that—is that the management of the Board has really matured——

Mr. LEHMAN. I am not sure if you understand my question.

Mr. SMITH. I am sorry, Mr. Chairman.

Mr. LEHMAN. Actually, you have been Chairman already?

Mr. SMITH. I am nearing the end of my term.

Mr. LEHMAN. I was thinking that you just started. This is your first appearance, but near the end of your term?

Mr. SMITH. That is right. There will be a new chairman elected in May.

Mr. LEHMAN. I guess you already answered my question.

Mr. SMITH. Well, it is the effectiveness of the management of the organization and the change in our mission statement. We have changed our organization dramatically in trying to become more proactive instead of compliance driven.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you very much, Mr. Chairman. I welcome you here.

Mr. SMITH. Thank you.

Mr. COUGHLIN. How is this reflected in improved accessibility?

Mr. SMITH. Clearly, our relationships with the Agencies have changed and improved. And the Agencies are more conscious of the desirability of improved accessibility. That is reflected in everything that we do with the Agencies. It has improved.

More important, it is the public awareness that we are starting to create, the outreach that we have achieved through our hearings we have held around the United States. And people are starting to understand accessibility is simply good business.

Mr. COUGHLIN. Some people have been critical of the Board for not keeping a close link with major organizations and advocacy groups. Would you disagree with that and have you been providing outreach to them?

Mr. SMITH. We have been in touch, principally, with the President's Committee. But are in constant touch with most of the advocacy groups. Let me ask our Executive Director, who is involved on a day to day basis to respond.

Mr. ROFFEE. I think through our public forums we have kept in very good touch, with major organizations and advocacy groups not just the ones in Washington, but all over the United States. We have had public forums in Tampa, New Orleans, Portland, Oregon, and Houston, Texas recently. In each place, we have involved local advocacy groups, local transportation authorities, chamber of commerce people. I think we have done a very good job in the last couple of years becoming more involved with the constituency.

COMPLIANCE PROGRAM

Mr. COUGHLIN. I know the Board ensures compliance with standards prescribed pursuant to the Architectural Barriers Act of 1968.

According to your justification, the Office of Compliance and Enforcement has primary responsibility for fulfilling this aspect of the Agency's mandate.

Although the justification states how many cases were opened and closed in fiscal year 1989, what is your current backlog?

Mr. SMITH. Our current backlog has been substantially reduced. Last year we reported to you that the reduction was 50 percent. This year it would be over 80 percent. In January of 1989 the backlog was 75 cases. In February of this year it was down to 12. That is an 84 percent decrease.

Mr. COUGHLIN. And how many cases do you expect to add in 1991, and how many cases do you expect to close in 1991?

Mr. SMITH. We have been, the last three or four years, adding approximately 200 complaints a year. For the last two years, we have been closing more complaints each year than are submitted to us. Currently, this year we have had 68 complaints filed. There are just under 100 that have been closed.

Mr. COUGHLIN. And when a case is closed is it identified in some way as closed favorable or closed unfavorable?

Mr. SMITH. Larry, let me ask you to respond.

Mr. ROFFEE. We have, basically, three categories. Closed for corrective action, which means we negotiated a resolution and a barrier of some sort has been removed. Closed for lack of jurisdiction. The facility involved was not covered under the Architectural Barriers Act. Or closed for no violation. Somebody felt that the ramp was not 1 in 12. When we took a look at it, indeed it was. So, there was not actually any violations.

Mr. COUGHLIN. What percentage of cases are closed for a lack of jurisdiction?

Mr. SMITH. We may have that number here somewhere. Fifty four percent were closed for lack of jurisdiction. That is over the history of the Board from 1977 on.

Mr. COUGHLIN. Fifty four percent.

Mr. SMITH. Fifty four percent for lack of jurisdiction.

Mr. COUGHLIN. Why are so many ineligible complaints received?

Mr. SMITH. Because the public does not understand that the law applies starting at a given year. I am with the U.S. Postal Service. It is quite common for the public to assume that any postal building, regardless of the year it was built or leased, was covered under the act. That simply is not true.

Mr. COUGHLIN. Does the Postal Service have its own internal policy procedures regarding accessibility?

Mr. SMITH. We have our own internal policies and procedures. They are the same as those advocated by the Board. We use the same standards. We were one of the standard setting organizations that developed the UFAS standards.

Mr. COUGHLIN. Has this reduced the number of complaints the Barriers Board has received from the post office?

Mr. SMITH. Dramatically. We are now not the biggest producer of complaints from the Board. I think that the thing that has actually caused the reduction in the complaints from the Postal Service is work that we have done to survey the problem. We have actually physically surveyed all buildings covered by the Act, determined what corrective action is necessary, and are in process of taking that corrective action.

Mr. COUGHLIN. If your complaint function did not exist, what avenues would be open to people needing help, if any?

Mr. SMITH. I am not sure I can answer that question. Would anyone else like to take a crack at it?

Mr. RAGGIO. The other major avenue for redress of accessibility would be section 504 of the Rehabilitation Act, which would apply to any Federally funded program or activity and also any Federally conducted program or activity which would include all Federal agencies and instrumentalities of the United States.

When the Americans With Disabilities Act is passed that would be another avenue for securing correction of inaccessibility. The coverage there would primarily be to newly constructed facilities. There is also a provision for existing facilities where removal of barriers is readily achievable.

The exact requirements are a little bit different in terms of section 504. The requirement is one for program access. For existing facilities, it does not mean that you have to make every existing facility entirely barrier free. It means you have to make your services available, which may mean you can provide them at an alternative site. It does not necessarily mean that people would have to have access to all floors or all parts of a building if you could relocate services to a part of a building that is accessible.

So, in some respects the requirements under section 504 are not as great as under the Architectural Barriers Act, which require the total facility and all the features to be accessible.

Mr. COUGHLIN. Finally, about what percentage of your budget is spent on the processing of complaints?

Mr. SMITH. Less than half. But I am not sure that we have those numbers with us. If not, we would be glad to supply them for you.

Mr. COUGHLIN. Would you?

Mr. SMITH. Yes.

[The information follows:]

Approximately 9 percent of our budget is spent on processing complaints.

AMERICANS WITH DISABILITIES ACT

Mr. LEHMAN. Thank you, Mr. Coughlin.

Last fall, the Senate passed legislation, S. 933, that would expand significantly the civil rights protection of individuals with disabilities.

Would you briefly summarize the major provisions of the Senate-passed bill and indicate the Board's position on these provisions?

Mr. SMITH. Yes. Let me ask our General Counsel, who has been deeply involved in coordinating that effort, to respond to that question.

I do want to say, before he gets into the details, that the Access Board wholeheartedly supports the bill as we currently see it in both the House and the Senate.

Mr. RAGGIO. Title I of the Senate-passed bill would prohibit discrimination in employment on the basis of disability and requires employers to reasonably accommodate disabled persons unless it would impose an undue hardship on the business.

Title II would prohibit discrimination in the provision of public services, including public transportation, on the basis of disability and requires that all new buses and rail vehicles be accessible, as well as new transit facilities.

Title II would also require key stations on rapid rail, commuter and light rail systems to be accessible within 3 years with extensions up to 20 years for extraordinarily expensive structural changes. Basically, what they are talking about is where an elevator would be required. All stations on intercity rail systems, and that refers to Amtrak, would have to be accessible in 20 years.

Title III would prohibit discrimination in public accommodations. It would require newly constructed buildings to be accessible unless it is structurally impractical. And alterations to existing buildings would also have to be done in a manner to enhance accessibility. Title III would also require removal of architectural and communication barriers in existing facilities where it is readily achievable. That term is defined as meaning where it can be done without much difficulty or expense.

Title IV would require telecommunications relay services to be established for people who use telecommunications devices for the deaf.

Title V contains a series of miscellaneous provisions regarding implementation of the Act. One of those provisions would require our Board to supplement our minimum guidelines and requirements to establish additional criteria for the design of public accommodations and public transit vehicles and facilities.

ACCESSIBILITY REQUIREMENTS OF ADA

Mr. LEHMAN. In my conversation with some handicapped people, as I said before, one of the main complaints that they have about accessibility is toilet facilities. Do any of these bills address this problem?

Mr. RAGGIO. Yes. Under the new law, the Department of Justice would be required to issue regulations covering all public accommodations. Those regulations would have to be consistent with the minimal guidelines and requirements for accessible design that are established by our Agency. And the minimum guidelines and requirements for accessible design go into great detail in terms of the design features for toilet facilities, requiring them to be readily accessible to and usable by persons with disabilities.

Mr. LEHMAN. Do you believe that the 20-year time requirement for accessibility of intercity rail stations, and assuming the Secretary of Transportation grants a waiver, "key stations" in rapid rail, commuter rail, and light rail are reasonable?

Mr. SMITH. It's a very long time. It is a compromise, as all legislation is. But I need to point out that intercity rail lines are currently required to be accessible under DOT regulations and ADA extends the timeframe in that case to 20 years. We'd like to see it much shorter, but we think it's a reasonable compromise.

ACCESSIBILITY COSTS

Mr. **Lehman**. Estimates of the capital cost of adapting rail stations and vehicles range from $1 to $2.5 billion. Do you, or does the Board, have any views on how these costs should be paid?

Mr. **Smith**. Well, we think that they're significantly overstated to begin with. The information that we have is that the Congressional Budget Office now says that the cost will be less than $1 billion. In a minute, I'm going to ask Dennis Cannon to comment on that. But it seems to me that these costs, as long as they're under $1 billion, are not significant compared to transit agencies' capital programs.

Dennis, would you like to comment additionally on that?

Mr. **Cannon**. One of the differences between the ADA and, say, earlier studies that were done on the DOT regulations is that, first of all, we know that a number of the stations that might have been identified as key stations have already been made accessible because of renovations and so forth.

There is currently a requirement in both Philadelphia and New York in terms of a settlement in some court cases that will require a certain number of these stations to be accessible above and beyond those which may be required by the ADA.

Finally, the discussions about key stations contained in the ADA are much less stringent than the ones in the old 1979 regulation, which DOT estimated would have accounted for somewhere around 40 percent of stations being designated as key stations.

It is now estimated that the designation of key station may very well only include 10 percent of stations, especially with the bus systems and so forth.

So we expect that the cost will be low, that it will be phased in over a long period of time and that where the expenses are incurred, we expect them to be in only a few stations.

Mr. **Lehman**. What about Amtrak stations? Is this included in these costs?

Mr. **Smith**. As I said before, the Amtrak stations are covered under the existing DOT regulations and the only change, as I understand it, is to expand the time.

Mr. **Lehman**. I was talking to staff about where the money would be coming from, and maybe you ought to write the Chairman of the Armed Services Committee and Secretary Chaney that for one Stealth Bomber you could do all of this.

Mr. **Smith**. That's true.

Mr. **Lehman**. Keep hammering on them.

Mr. **Smith**. We'll keep hammering away on accessible design.

PARATRANSIT

Mr. **Lehman**. That's the only place you're going to find the money. It doesn't hurt to keep reminding these people that they're spending money on some of these weapons programs that may no longer be necessary that could be used for domestic needs.

The Senate bill states that: "It shall be considered discrimination, for purposes of this Act and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), for a public transit entity that is responsible for providing public transportation to fail to provide paratransit or other special transportation services sufficient to provide a comparable level of services as is provided to individuals using fixed route public transportation to individuals with disabilities . . ."

Are you familiar with this language and what is your Board's position on this?

Mr. SMITH. We agree with the provision, but I'd like to add a caution. We've been holding hearings around the country, as we've told you earlier. In at least two of the cases, cities had paratransit services and what we repeatedly hear from the public is that paratransit is a supplement to a fully accessible transportation system; it's not adequate as a standalone system and we've heard this repeatedly.

Mr. LEHMAN. Has the Board conducted or are you aware of any cost estimates of this type of paratransit service?

Mr. SMITH. No, we are not aware of any cost estimates because the cost will vary depending on the number of accessible buses that are in service. As more accessible buses come on line, the number of disabled persons that will require paratransit will decrease.

Mr. LEHMAN. It changes from year to year.

Mr. SMITH. Yes.

ACCESSIBILITY REQUIREMENTS OF SENATE-PASSED ADA BILL

Mr. LEHMAN. According to a February 23, 1990, *Wall Street Journal* article, the small business community is concerned about the impact this legislation could have on the owners of small businesses. One vehicle rental organization reportedly stated they would stop renting passenger vans if they were required to be equipped with wheelchair lifts. Another organization expressed concern that they would not be able to impose a surcharge for equipping cars with special devices for the handicapped. Intercity bus operators indicated that the requirements of the Senate-passed bill would force service reductions. Do you believe there is any merit to these concerns?

Mr. SMITH. Our experience across the board with everything that we do indicates that accessible design costs are constantly overestimated, that good accessible design is not as expensive as people would indicate.

But specifically, to refer to the Wall Street Journal article, most of that referred to car rental systems and we would not have any responsibility for that. That would be a DOJ responsibility. So I really can't comment on that.

The Greyhound cost estimate is based on a particular lift design that would result in the loss of seating and baggage space and it also assumes that accessible restrooms would be required. We think that those designs are going to evolve, that alternate technology and modifications will be available that will substantially reduce the costs.

BOARD RESPONSIBILITIES UNDER ADA

Mr. LEHMAN. Under S. 933, the Board would be required to develop, issue and maintain minimum guidelines for the design of accessible buildings, facilities and vehicles. According to the bill, accessibility must be achieved in terms of architecture, design, transportation and communication. Do you believe the Board has the resources to fulfill this requirement? If not, what additional staff and funding are you going to need?

Mr. SMITH. Mr. Chairman, we have the information that's necessary to do this. Clearly, if this was going to be done the way that everyone would like to have it done, we do not have enough staff to do it. And yet there isn't time to do anything about that situation.

So it's our intention to divert staff from other responsibilities and get this very important job done and possibly there will have to be some contract work that is done to meet the deadlines that will face us here.

Mr. LEHMAN. The bill requires the issuance of your guidelines within six months after the date of enactment. Do you believe this is a reasonable time period for your Board to promulgate these regulations?

Mr. SMITH. No, it's certainly not a reasonable time, but I understand the necessity of setting a time frame like that. The latest version of the House bill apparently is going to change that to nine months and even nine months is not an adequate period of time. But we're determined that we're going to meet the deadline, whether it's six months or nine months, and we'll do what has to be done to meet those deadlines.

ADA STAFFING REQUIREMENTS

Mr. LEHMAN. If you had this responsibility, how much of the work do you expect your staff to do and how much do you expect to be done, as you said, by outside contractors?

Mr. SMITH. The majority of the work will be done with our own staff, but some will have to be done with outside contractors. I can't quantify that for you at this time.

Mr. LEHMAN. The legislation also requires the Board to consult with the Attorney General during the development of a plan for assistance to the entities covered under the Act. Can this requirement be accomplished with your existing staff?

Mr. SMITH. No. The responsibilities that were given under ADA are many. Let me just list them for you.

We would be required to develop a Government-wide technical assistance plan in cooperation with DOJ.

We would have to implement the plan with respect to public accommodations and transit systems.

We would have to develop technical assistance manuals.

We would have to assist DOJ to review and certify state and local building codes upon application of the state and local government.

We would have to review and comment on the over-the-road bus study.

We would need to maintain MGRAD provisions for the ADA.

We'll need additional staff to do that. We estimate that an equivalent of 8.5 full-time positions would be required. In addition to that, we would need to somehow or another conduct training that's beyond the 8.5 positions. That can be done either of two ways. We can do that under contract; we'd much prefer to do it with full time staff devoted to the agency and that's an alternative we'll have to evaluate.

Mr. LEHMAN. Mr. Coughlin.

AMTRAK ACCESSIBILITY

Mr. COUGHLIN. Before we leave the question of the Act, some concern has been expressed about Amtrak cars. Currently, Amtrak has cars that are equipped to accommodate wheelchairs. Not every car is equipped to accommodate wheelchairs. And going from one car to another is not wheelchair available. Is this required—the ability to go from one car to another in a wheelchair?

Mr. SMITH. I'm sure the answer to that is no, but Dennis Cannon has been doing a lot of work in that area. Let me ask him to comment on that.

Mr. CANNON. We've had some fairly lengthy discussions over the past. Amtrak people have come to our office on a couple of occasions to discuss this issue, and we understand the problems with regard to moving from one car to another when the train is moving. It may be possible, and in fact it appears quite feasible, to do it when the train is stopped in a station, and you might have to do this under some circumstances.

But no, the concept of the accessibility is to provide a certain number of spaces, and whether it's one of every new train having a certain number of spaces or restrooms or whether they're grouped in a series of cars as is currently envisioned in the Energy and Commerce provision of late, we would not anticipate that there would be any requirement for moving between cars as a part of the accessibility requirement.

We would like to see in future cars things like doors that are wide enough to permit passage in case you need to move from one car to another in an emergency or whatever, but from discussions with Amtrak, we understand that that's not a problem; that, in general, the passageway doors are wide enough or they lack an inch or so which could easily be made up.

And we'll be looking at all of this in the development of the minimum guidelines. But it doesn't envision that you would be required to go from one car to another, or down the aisle for that matter, which is another concern that Amtrak had raised.

Mr. COUGHLIN. Thank you, Mr. Chairman.

HOUSE COMMITTEE'S ACCESSIBILITY LEGISLATION

Mr. LEHMAN. There are two House versions, and the Senate version. As you know, the House Transportation Subcommittee H.R. 2273. Could you compare the two versions, the House version with the Senate version and tell us what the major differences are and which legislation is better for to your Board?

Mr. SMITH. I cannot, but I think Mr. Raggio may be able to do that.

Mr. LEHMAN. Just simply highlight the differences.

Mr. RAGGIO. There are two versions that are being reported out of the House so far, one last November—

Mr. LEHMAN. I'm talking about the one just reported out by the Surface Transportation Subcommittee.

Mr. **Raggio**. Before Mr. Mineta's Transportation Subcommittee, but I don't think they completed their work yet, and they are still to schedule a further session before the full Public Works and Transportation Committee.

At the session that was held last week before Mr. Mineta's subcommittee, a substitute bill was introduced that did have some changes from the Senate bill. They did allow in the area of transportation some special provisions for historic and antiquated rail cars, I think specifically to allow for systems like in San Francisco, the cable cars there.

If accessibility cannot be achieved with those cable cars without seriously compromising the integrity of those cars then they would not have to meet those features that would compromise the integrity of those cars.

There was also an amendment that was passed before the Transportation Subcommittee affecting commuter rail that would limit the number of cars that would have to be accessible to one car per train, but there is a provision that if additional cars are needed that additional cars would have to be added. It's not clear exactly how that would be implemented.

Just earlier this week, the House Energy and Commerce committee reported out a substitute bill also and the major changes there as far as they relate to the Board, they did give us an additional three months for our rulemaking to supplement MGRAD and there also is a compromise provision in there relating to Amtrak instead of requiring every car of a train to be wheelchair accessible, instead they take the concept of looking at the number of spaces which have to be provided and they provide for a formula for determining the number of spaces per train which need to be accessible and 50 percent of that number have to be achieved in five years and 100 percent of that number have to be achieved in ten years.

And there are limitations on how many seats per train need to be provided so you wouldn't have just disabled passengers being restricted or segregated to one car per train. So it would have to be spread out over several cars per train but it does not require each car of Amtrak to be wheelchair accessible. For example, on a ten car train, three to five cars would have to be accessible, depending on whether it's a five year or a ten year requirement.

Mr. **Lehman**. Do you have a preference now or are you just waiting to see what the compromise will be?

Mr. **Smith**. Well, we understand that the compromise that was worked out was worked out——

Mr. **Lehman**. There are differences in the Senate version and the House version that will have to be worked out in conference.

Mr. **Smith**. Right.

Mr. **Lehman**. Which way do you tilt?

Mr. **Smith**. As part of the Administration, we have to say that we have to support the Administration position, which is the Senate bill at this time.

ADA COST REQUIREMENTS TO BOARD

Mr. LEHMAN. And while we're on ADA, could you provide for the record a detailed analysis of additional costs that ADA would impose on your Board under both versions?

Mr. SMITH. We'd be glad to do that.

[The information follows:]

The ADA would give the ATBCB the following new responsibilities:

- Supplement MGRAD to include standards for:

  Transit facilities
  Transit vehicles
  Public accommodations
  Outdoor recreation
  Communications

- Develop technical assistance manuals for entities covered by the ADA (House Education and Labor Committee Bill)
- Maintain the new MGRAD
- Review and comment on the study of over-the-road buses
- Develop a governmentwide technical assistance plan with the Department of Justice
- Assist the Department of Justice certify state and local building codes upon application by state or local governments (House Education and Labor Committee Bill)
- Implement the technical assistance plan with respect to public accommodations and transit systems.

The requirement in the House Bill to certify state codes does not significantly add to the funding requirements. We believe that the development of training manuals is crucial and we would intend to produce the manuals even if they are not explicitly required.

The new responsibilities imposed on the Board by the ADA are both staff and contract intensive. The Board would require 11.5 additional FTE positions which would be used to:

Develop standards
Maintain standards
Certify state or local building codes
Provide technical assistance
Develop training materials and provide training
Provide replacement training
Develop and monitor contracts
Provide administrative support

In addition to the salaries for the new staff we would need additional office space, work station furniture, and computer equipment.

Contract support would be needed to:

Maintain standards
Develop manuals
Provide initial technical assistance training.

Providing technical assistance is the major, and very costly, new responsibility. Until the ADA is passed and, as is required in the Bill, the Board works with the Attorney General to develop the government wide technical assistance plan, it is not possible to detail the specific cost of the plan.

However, the Board proposed concept for providing the technical assistance would be as follows:

- We do not feel it would be efficient or possible to attempt to handle all of the requests for technical assistance directly through the Board's staff. The number of requests could be overwhelming, and could best be handled by trained people at the local level.
- We believe that an effective technical assistance plan should involve training people in communities to provide direct technical assistance to entities covered by the Act. Similar to the training that was developed to implement Section 504 of the Rehabilitation Act, the Board would sponsor training conferences on the technical requirements of MGRAD and the DOJ and DOT regulations for such organizations as local advocacy groups, AIA chapters, business organizations, and regional transit authorities. These local organizations would then be sources of assistance and information to other local entities covered by the Act. We would propose to hold 30 training sessions across the nation with each one attended by 50 people.
- An initial estimate of the costs of the technical assistance training program are:

Contract to prepare training materials, lesson plans and to conduct training	$600,000
Contract to develop technical assistance manual for public accommodations	$90,000
Contract to develop technical assistance manual for transit facilities	$90,000
Printing 6000 technical assistance manuals	$60,000

o	Board and staff travel to oversee training	$11,000
o	Total technical assistance program	$851,000
o	*Travel and per diem for 1500 participants	$525,000
o	Total technical assistance program and participant travel	$1,376,000

* If the Government wide technical assistance program is also based around local training of people to provide technical assistance, then this cost could be shared with other Federal agencies.

The total additional appropriation required by the ATBCB to meet its responsibilities under the ADA is:

o	Additional FTE salaries	$445,600
o	Office space	$19,000
o	Office equipment	$30,000
o	Technical Assistance	$851,000
o	Travel and per diem for training	$540,000
o	Total ADA responsibilities	$1,885,600

ADA IMPACT ON TRANSPORTATION

Mr. **Lehman**. You mentioned that transportation was a major accessibility problem. To what extent do you believe that the ADA addresses this problem?

Mr. **Smith**. It gives a lot of emphasis. And I guess I said before there are many, many compromises reached in that bill. We would have preferred to see some stronger provisions, but we're also concerned that ADA passes. Period.

Mr. **Lehman**. Let's get the show on the road.

Mr. **Smith**. Yes.

ORGANIZATION OF THE BOARD

Mr. **Lehman**. One of the previous Chairmen believed that Congress should consider establishing a small Compliance Board with full-time members. Last year, Mr. Tangye expressed the view that a larger and broader Board provided for more progressive standards. What is your position on a small full-time Board?

Mr. **Smith**. I agree with Mr. Tangye. And I don't agree with the earlier recommendation. I think the Board needs the broad perspective that is brought by a group of citizens with differing backgrounds, as well as the public Government agency members that we have on the Board.

One concern that I do have, however, and one recommendation that I would like to see if the law is ever changed in the future, the law is very restrictive about the level of participation by Government agency members. It actually specifies level 4. And consequently one of the serious problems we have on the Board is participation by those people, with the demands that are made upon their time and the lack of control they have over their calendars.

If we were permitted to have participation by one step lower in the Government, I think it would be more effective.

SUPPORT SERVICE CONTRACTS

Mr. **Lehman**. Last year, it was indicated the Board had entered into a number of support service contracts with the Department of Education and the General Services Administration. Are you satisfied with the results of these contracts?

Mr. **Smith**. Very much so. Providing those same services in-house would be very, very expensive.

Mr. **Lehman**. Please provide a listing of the administrative support functions that will be performed on a contract basis in fiscal years 1990 and 1991.

[The information follows:]

The administrative support functions that will be performed on a contract basis in fiscal years 1990 and 1991 include personnel, payroll, finance, and accounting which will be provided by the General Services Administration, and local moving, disposal/acquisition of surplus property, audio-visual, contracts, and training services which will be provided by the Department of Education.

DRUG TESTING

Mr. **Lehman**. It was also indicated that you might have a contractor implement your drug testing program. How is this being met?

Mr. SMITH. We are working with the Department of Health and Human Services on that and we have interagency agreements to use the existing contracts that have been executed through the Department of the Interior for drug testing labs and collections and department of HHS on employee counselling. And we're intending to use those.

ORGANIZATION OF THE BOARD

Mr. LEHMAN. Are you satisfied with the present organizational structure of the Board?

Mr. SMITH. Yes, I am. The Board operates through the Chairman and three subject matter committees. That's been a recent restructuring of the Board and it seems to be very effective.

PERSONNEL MANAGEMENT

Mr. LEHMAN. One of the recommendations of the VA study was that you establish a personnel management and evaluation procedure. Has this recommendation been implemented?

Mr. SMITH. Yes, but not completely. We have completed an indepth position analysis within our Office of Compliance and Enforcement, and we intend to expand that to the rest of the agency.

Mr. LEHMAN. What's the timeframe for completion?

Mr. SMITH. By the end of this fiscal year.

Mr. LEHMAN. Have you ever had an internal audit or a GAO audit?

Mr. SMITH. There was an audit done in December of 1988 that was very favorable to the Board. It disclosed no major internal control weaknesses. There were several recommendations that were made that were minor and have been implemented.

COMPLIANCE PROGRAM

Mr. LEHMAN. Last year we were told that you had reduced your backlog of complaint cases by 50 percent. Are you continuing to make progress in this area? If so, how much and if not, why not?

[The information follows:]

This year we have reduced the backlog of cases dramatically. In January 1988, the backlog was 75 cases. In February 1990, the backlog was 12 cases. This represents an 84 percent decrease.

BOARD JURISDICTION

Mr. LEHMAN. It was also indicated last year that it can take a considerable amount of time to determine whether the Board has jurisdiction over a particular complaint. Are there statutory changes that could clarify and expedite this?

Mr. SMITH. The ABA only covers buildings financed by Federal grants and loans if such buildings are subject to standards for design and construction or alteration issued under the authority of law authorizing such grants and loans. We think it ought to be changed so that the legislation is simplified by requiring all buildings constructed by Federal grants or loans be accessible.

Mr. LEHMAN. Have you asked for that yet?

Mr. SMITH. Yes. The Department of Justice is submitting the request.

Mr. **Lehman**. For the record, would you submit your request?

Mr. **Smith**. Yes. We'd be glad to do that when it has been cleared through DOJ.

Mr. **Lehman**. What other options for improving case processing do you intend to consider?

Mr. **Smith**. We're doing some internal control mechanism things, but the most important thing that we're doing is regular meetings with the agencies, where we can work with the agencies on outstanding cases and see how they can be satisfactorily resolved.

One of the things that we have to constantly remind ourselves here is that the purpose of all of this is to remove the impediment, the barrier, and not simply go through a bureaucratic process.

Mr. **Lehman**. What portion of your complaints are being closed within 180 days?

Mr. **Smith**. We don't keep our statistics that way, but if I can turn the question around and reply that 35 percent of the active cases are open for 180 days or more. That's not to say that 65 percent are closed within 180 days because statistics don't work that way.

But let me go on to say that with some experience in this area, not all cases should be closed within 180 days. It takes longer than that for us, from the agency's point of view, to solve many of these problems. But I think 35 percent is a very reasonable number.

Mr. **Lehman**. Please expand on this for the record, but you have to expand on it in relationship to your re-interpretation of how this data should be presented.

Mr. **Smith**. We'd be glad to provide that information.

[The information follows:]

Cases unresolved for more than 180 days for the last 5 fiscal years are shown below:

Fiscal year:	*Cases*
1985	0
1986	5
1987	4
1988	9
1989	38
Total	56

We believe that these 56 cases do not reflect a negative or unaddressed situation. On the contrary, we are actively investigating these complaints, with a date of last action occurring within the past two months in each case.

In all of these cases, we have determined that we have jurisdiction and are working with the responsible agency to resolve these cases. Often the corrective action needed to eliminate the barriers is complex and long-term. For example, one of the cases concerns lack of access at 15 stations on the Philadelphia subway system and required complicated jurisdictional determinations and negotiations regarding corrective actions necessary at the stations where we did have jurisdiction. In several others, we are actively pursuing our investigations after a few years of negotiations with the U.S. Department of Housing and Urban Development about whether its Community Development Block Grants funds are covered by the Architectural Barriers Act. Based on a recent decision by Secretary Kemp indicating that these HUD funds do fall within the jurisdiction of the Act, we have requested corrective action plans. Other cases involve city parks where multiple barriers have been identified such as inaccessible parking spaces, rest rooms and paths to various areas of interest including baseball and soccer fields. We are working to attain remedies for each of the barriers before considering the case resolved.

Mr. **Lehman**. In the past, many of the complaints you received were directed at Post Offices. To what extent has the number of complaints on Postal Service facilities decreased, if at all?

Mr. **Smith**. Yes, it's reduced dramatically. In March of 1988, the Postal Service represented 46 percent of the active cases. By 1989, that figure was down to 35 and now it's down to 19 percent of the active cases.

In January of this year, we had 150 complaints on our books on the Postal Service and currently the number is less than 25.

DISPOSITION OF COMPLAINTS

Mr. **Lehman**. Please provide for the record a statistical breakdown of the disposition of complaints received similar to that included on page 349 of last year's hearing record.

[The information follows:]

STATUS OF COMPLAINTS BY FISCAL YEAR RECEIVED (FY 1977 - FY 1990) REPORT DATE: March 08, 1990

FY	COMPLAINTS RECEIVED		UNDER INVESTI-GATION	MONITORING CORRECTIVE ACTION	INTENT TO CLOSE LETTER SENT	COMPLAINTS CLOSED					TOTAL CLOSED BY FY CLOSED
								CLOSED FOR:			
	TOTAL	% CHANGE FROM PREVIOUS FY				TOTAL	% TOTAL RECEIVED	CORRECTIVE ACTION	NO JURIS-DICTION	NO VIOLATION	
1977	100	—	0	0	0	100	100.%	50	44	6	49
1978	155	55.%	0	0	0	155	100.%	60	83	12	141
1979	176	13.5%	0	0	0	176	100.%	92	78	6	174
1980	160	-9.1%	0	0	0	160	100.%	63	86	11	137
1981	106	-33.8%	0	0	0	106	100.%	39	62	5	94
1982	119	12.3%	1	0	1	117	98.3%	57	51	9	72
1983	129	8.4%	1	0	0	128	99.2%	59	55	14	122
1984	233	80.6%	2	6	0	225	96.6%	80	135	10	96
1985	249	6.9%	0	7	0	242	97.2%	77	148	17	234
1986	91	-63.5%	5	3	0	83	91.2%	28	49	6	100
1987	217	138.5%	4	13	0	200	92.2%	95	86	19	102
1988	200	-7.8%	9	14	0	177	88.5%	46	111	20	266
1989	176	-12.%	41	13	4	118	67.%	23	88	7	317
1990	68		37	2	7	22	32.4%	5	16	1	97
TOTAL	2179		100	58	12	2009	92.2%	774 (38.5%)	1092 (54.4%)	143 (7.1%)	

AIR CARRIER ACCESS ACT RULES

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman. Earlier this month, the Department of Transportation issued its rules under the Air Carrier Access Act of 1986. Would you briefly summarize the major features of these rules and tell us whether you believe they adequately provide for disabled access to air transportation?

Mr. SMITH. Yes. Mr. Robert Brostrom is a long time member of the Board and has been deeply involved in this, and I'd like to ask him to respond. He's been deeply involved particularly in the Air Carrier Access Act regulations, and I'd like to ask Bob to respond to this.

Mr. BROSTROM. Thank you. First, I want to say very briefly that I used to live in Miami and I was represented by Congressman Lehman. I lived there for 12 years, graduated from North Miami High School and Florida Atlantic University.

Mr. LEHMAN. Let the record show that, please.

Mr. BROSTROM. I also had the pleasure of seeing some of your wife's artwork. To answer your question, we feel that DOT's rules deal with some difficult, controversial issues and do not satisfy all of the concerns of the air carriers and the disability community. On the whole, we believe DOT's rules address many of the instances of discriminatory treatment faced by disabled air passengers. There are some areas of concern.

One of the areas that we have concern is whether the rules will result in consistency of treatment for people in the area of need for an attendant. Under DOT's rules, if airline personnel believe that a person with a severe mobility impairment is unable to assist in his or her own evacuation of the aircraft and the person believes that he or she is capable to travel independently, the carrier may require the person to travel with an attendant, but may not charge for the attendant's transportation.

The carrier may satisfy this requirement by assigning their own personnel to act as an attendant, asking another passenger to volunteer, or allowing the disabled person to obtain their own attendant. The last option may not be possible since disabled people may not know until just before boarding the plane that the carrier believes the person needs an attendant.

The other options also present problems in that a person may take more than one plane to reach his or her destination and may be treated differently on each flight and possibly stranded during the middle of the trip because an attendant could not be secured. Also I wanted to add that a real area of concern is the need for qualified airline personnel.

I had the pleasure of being involved in the Air Carrier Access Act negotiations and representing the Board on it, and one of the areas of concern was the need to make these evaluations and the consensus feeling was would an entry level airline individual be able to make a medical determination on someone's needs.

ACAA IMPACT ON AIRLINES

Mr. COUGHLIN. The President of the Air Transport Association reportedly stated that these new rules are costly and will diminish safety. What is your view on those comments?

Mr. BROSTROM. DOT's rules are consistent with FAA safety regulations. DOT's rules permit carriers to exercise their discretion in safety matters where consistent with FAA regulations such as excluding passengers who would or might be inimical to the safety of flights, limiting seats and exit rows to passengers who can perform certain functions necessary in emergency evacuations on an aircraft, and requiring an attendant if the carrier believes that a person with a severe mobility impairment is unable to assist in his or her own evacuation.

The DOT's rules limit a carrier's discretion to impose additional restrictions on disabled passengers beyond those required by FAA safety regulations which result in discriminatory treatment. We believe these DOT rules are consistent with the ACAA with regard to safety issues.

One of the areas where the Board took a very strong stand was in the area of quotas. There was a proposal to have a quota system, limiting the number of disabled people on flights and the Board made it very clear how opposed we were to any kind of a quota system.

Mr. COUGHLIN. The Department of Transportation has estimated that these rules will cost the airlines about $400 million. Does the Board believe this is a reasonable cost estimate? If not, what do you believe it will cost and what is the basis of your estimate?

Mr. BROSTROM. DOT applied Section 504 standards to its rules. Under court decisions interpreting Section 504, regulations prohibiting discrimination against disabled persons may not impose undue financial or administrative burdens when considered in light of the overall nature and size of a business. The airlines are a major industry and have significant resources available to meet the requirements of DOT's rules.

In 1987, total operating revenues were $57 billion, with $2.5 billion in annual earnings. Assets total about $54 billion. We believe DOT struck a responsible balance between the needs to provide sufficient accommodations for disabled persons and avoiding undue financial burdens on the airlines.

Mr. COUGHLIN. Is the $400 million a reasonable estimate?

Mr. SMITH. I think it probably is a reasonable estimate, Mr. Congressman, and I'd like to just add to that that $20 million per year seems to me to be a very low number for this entire industry. The Postal Service will have allocated more than $20 million for the elimination of barriers in Post Offices around the country, and we have revenues far lower than this entire industry has.

LAVATORY ACCESSIBILITY ON SMALL PLANES

Mr. COUGHLIN. The Department deferred action on the question of whether lavatories on small planes need to be accessible to the disabled. They have asked for public comments on this issue. Does the Board have a position and do you intend to provide comments to DOT?

Mr. **Brostrom**. We have not studied the issue in much detail and do not have any comments at the present time.

Mr. **Coughlin**. Do you intend to look at it?

Mr. **Brostrom**. We intend to provide comments to DOT on the lavatory issue and other matters discussed in the advance notice of proposed rule making.

AIRLINE EXIT ROW SEATING

Mr. **Coughlin**. With regard to the question of exit row seating, last year Mr. Tangye stated that the Board didn't have any problem with a functional test as long as it was applied equally across the board. Do you believe the Department's rule meets this requirement?

Mr. **Brostrom**. The FAA rule limits seating in exit rows to passengers who can perform a series of functions necessary in emergency evacuation of a plane. We are concerned that the functional criteria will not be applied in a neutral, non-discriminatory manner.

The criteria will most likely only be applied to persons who have a discernable disability at the time they board the aircraft, with no assurance that a person with a non-discernable disability such as high blood pressure or heart condition which would preclude performance of the functions listed, would similarly be excluded from exit rows.

We have recommended that the FAA develop appropriate performance criteria for exit row doors and conduct tests to determine whether persons with various disabilities can operate them.

Mr. **Coughlin**. Mr. Chairman.

Mr. **Lehman**. When I had a visit from the Association for the Blind, this was the one issue that they seemed to be more upset with as a form of discrimination than any other problem that they could bring to my attention.

Mr. **Brostrom**. Again, we come back to the same concern we had earlier on the issue of attendants in airlines. There really is a concern about the determination factor. I know myself, I travel a lot on aircraft and until recently, I very rarely had any limits placed on where I could sit.

I think the concern is the qualifications of these people making these determinations because it's got to be a visual determination, and you're dealing with somebody who's at the ticket stand or at the door making this assessment. We're not really sure whether the training or the qualifications are there to do that.

Mr. **Coughlin**. Does the rule specify which types of individuals are precluded from sitting in exit row seats or is this decision left up to the airline employees? If the airlines have to make a determination, do you believe their employees are properly trained to do so? And I think that's to what you were referring a moment ago.

Mr. **Brostrom**. Right. We do not believe that airline personnel are sufficiently trained to make the decisions required by the FAA rule, especially in the cases of individuals that have a non-discernable condition which prevents the person from performing one or more of the functional criteria.

I just want to add to that—when I was involved in the REGNEG process, there was a concern about people drinking on aircraft and maybe sitting in an exit row. If someone's had three or four drinks, it certainly could impair their judgment and their ability to perform these necessary functions.

Mr. LEHMAN. Mr. Wolf.

Mr. WOLF. I have no questions. I'm sorry I wasn't here earlier; I had another hearing.

TRANSPORTATION ACCESSIBILITY RESEARCH

Mr. COUGHLIN. According to your budget justification, fiscal years 1991 and 1992 have been designated as transportation focus years. What do you believe are the most serious transportation accessibility problems and how is your research program designed to address these problems?

Mr. SMITH. We believe the most serious problem is a lack of understanding of the facility-related accessibility requirements under the Barriers Act. Many transit officials mistakenly believe that facility access is not required if paratransit or other alternatives to rail transit is provided.

There is a general lack of information and materials on transit facility and vehicle compatibility, including what can be done to accommodate the needs of the hearing and visually impaired persons in mass transit facilities and airports, and mobility aid compatibility and securement in transit vehicles.

We are undertaking three projects specifically targeted to address these issues.

Mr. COUGHLIN. Will your transportation research be directed toward issuing a regulation or providing technical assistance to other organizations?

Mr. SMITH. Both. To be specific, our 1991 projects include development of UFAS and transportation facility access training materials, transportation facility needs of the hearing and visually impaired persons; and as I said before, mobility aid compatibility and securement studies and technical assistance. And we're also developing a transportation service data base.

DOT SECTION 504 REGULATION

Mr. COUGHLIN. What is the current legal situation regarding the cost cap in the Department of Transportation's section 504 regulation?

Mr. SMITH. The cost cap in Section 504 was found to be arbitrary by the U.S. District Court and Court of Appeals in Philadelphia. The courts found that DOT's own study shows that cities of less than 1 million people would virtually never meet the criteria for comparable services if only paratransit services were provided. And we certainly agree with that decision on the part of the courts.

TELECOMMUNICATION DEVICES

Mr. COUGHLIN. Would you bring us up-to-date on the status of your project to demonstrate the effective use of telecommunication devices for deaf persons at Baltimore-Washington International and Miami International Airports?

Mr. SMITH. Unfortunately, technology has overtaken these projects before they have been completed. In both cases, we're still in the process of evaluating the usage and the advantages of the TDDs in those cases. But the availability of TDDs and the technology have moved beyond what we had hoped to achieve in those particular cases.

Mr. COUGHLIN. Is the new, advanced technology being used?

Mr. SMITH. Yes, it is. In many airports around the country.

LIBRARY

Mr. COUGHLIN. Some of your 1989 achievements were updated product literature and library collections and computerization of the technical service library. How many people use your library?

Mr. SMITH. I can't answer that question. Let me ask our Executive Director.

Mr. ROFFEE. It is open to the public, but we don't get that many people coming in to use it. Most of the use is made by the staff in responding to requests for technical assistance and technical inquiries. And we do send out approximately 260-265 packets of information each month and make use of the library that way.

Mr. COUGHLIN. How much of your budget is devoted to library acquisitions and computerization? Could you provide that for the record?

Mr. ROFFEE. Yes, we could.

[The information follows:]

Less than one percent of our budget is currently devoted to library acquisitions, maintenance and computerization.

HOUSING RESEARCH PROJECTS

Mr. COUGHLIN. In fiscal year 1989, your technical research was focused on accessible/adaptable housing issues. What were the conclusions of this research and what actions have resulted from it?

Mr. SMITH. Let me remind you that the funds were committed in 1989 and so consequently the research has not been completed.

The projects that we undertook were a fire safety accessible demonstration house and that was done cooperatively with the U.S. Fire Administration. We also had a project on housing accessibility information systems and that was a project to identify and bring together in one system information on efficient, economical and innovative approaches. We did a UFAS retrofit manual that dealt with modifications of existing buildings to comply with the provisions of the UFAS code.

All of these efforts are currently underway. The results and conclusions are not yet available.

PROPOSED MGRAD REVISIONS

Mr. COUGHLIN. In your statement, you mention that you plan to initiate revisions to the minimum guidelines and requirements for accessible design (MGRAD). In what areas are you contemplating revisions?

Mr. SMITH. We are looking at the addition of accessibility provisions for children in the environment, additions of accessibility provisions for recreational facilities, changes to provisions for visual alarms, changes to parking and passenger loading zones, definitions and measurements of slip resistant surfaces, and detectable tactile warnings for transit platforms.

RESEARCH ACCOMPLISHMENTS

Mr. COUGHLIN. What was the most significant accomplishment of your research program during the past year?

Mr. SMITH. Our MGRAD UFAS review project was completed, and that provided our recommendations for MGRAD changes and follow-up research. The information was also used in proposing changes to the ANSI standard.

The auditory alarms project was completed and that resulted in recommendations on the most easily identifiable auditory alarms for people with hearing impairments. And our slip resistant surface project was completed and that produced recommendations on changes in the definition of slip resistance and technical guidance on the measurement of that resistance.

Mr. COUGHLIN. Do you currently have any ongoing cooperative research with the National Institute on Disability and Rehabilitation Research?

Mr. SMITH. We worked with them to develop a paper called "Towards an Accessible Environment—Effective Research" and we're acting as an advisor to that organization as they sponsored an accessible housing research and training center in North Carolina State University last year.

Mr. COUGHLIN. Please provide for the record the research projects you are currently working on, including the purpose of the research and estimated completion date.

[The information follows:]

Fire-Safe Modular Demonstration House.—This is a 12-month cooperative effort between the Access Board and the U.S. Fire Administration to develop actual cost data and demonstrate cost effective approaches to providing safe accessible housing. Anticipated completion date: November 15, 1990.

Housing Accessibility Information System.—This project is to develop a Housing Accessibility Information System to provide information on efficient, economical, and innovative approaches for the modification of existing homes or housing units and for new construction. Anticipated completion date: September 28, 1990.

UFAS Retrofit Manual.—This 12-month project is to develop a concise manual of information on efficient, economical, and innovative approaches for the identification of existing barriers and the modification of existing built environments in compliance with the provisions of the *Uniform Federal Accessibility Standards* to accommodate the needs of persons with disabilities and of older persons. The manual will address all the various occupancies described in UFAS with the exception of housing. Anticipated completion date: September 30, 1990.

Accessibility Products Collection.—The purpose of this project is to develop an up-to-date collection of manufacturers' product literature and listings of manufacturers for use in providing technical assistance. Anticipated completion date: May 15, 1990.

Airport Accessibility For Persons with Hearing Impairments: Two Case Studies.—The purpose of this project is to develop a technical assistance document describing the activities of each of the two airports, associated subcontractors, and the U.S. Department of Transportation (DOT) in meeting the requirements of the project statement of work. Anticipated completion date: June 1, 1990.

Mobility Aids Securement Brochure.—The purpose of this project is to develop a technical assistance brochure to describe two effective mobility aids securement systems in use in public transit systems. Anticipated completion date: April 1, 1990.

UFAS Checklist.—The purpose of this project is to develop a checklist of *Uniform Federal Accessibility Standards* (*UFAS*) requirements for use in surveying newly constructed buildings and facilities or through plan review of proposed construction projects. Anticipated completion date: April 15, 1990.

TECHNICAL ASSISTANCE

Mr. COUGHLIN. Your budget refers to an anticipated increase in requests for technical information. What is the basis for this assumption?

Mr. SMITH. During 1989, requests for technical assistance and information from the Board increased steadily and dramatically. The average number of technical information packages mailed per month more than doubled, over 200 per month as our Executive Director mentioned earlier.

We have also distributed more than 21,000 copies of UFAS in fiscal year 1989 as compared to 18,000 in 1988. That's an increase of 17 percent.

But all of this can be attributed, as I said earlier, to our added emphasis on outreach activities. We're out trying to inform the public and the Government agencies of the desirability of elimination of accessibility barriers.

Mr. COUGHLIN. Please provide the number of requests for technical information for fiscal years 1987, 1988 and 1989, and the estimates for fiscal years 1990 and 1991.

[The information follows:]

REQUESTS FOR TECHNICAL INFORMATION

	Requests for technical assistance	Information packets mailed	copies of UFAS distributed
1987	875	600	12,000
1988	1,800	1,200	18,000
1989	3,000	[1] 1,900	21,000
1990 [2]	5,600	3,400	28,000
1991 [2]	10,500	6,100	37,500

[1] Calendar year

[2] Estimates were calculated using average percentage increases from previous years and rounded. If ADA passes, we feel the numbers will be considerably higher.

TECHNICAL PUBLICATIONS

Mr. COUGHLIN. What technical publications or reports have you published during the past year?

[The information follows:]

New publications include:

Visual Alarms brochure provides information on technical specifications and suggested placement of visual alarm systems.

Hands-On Architecture report presents design guidelines for controls and other operating features to assure usability by people with hand manipulation impairments.

Transit Facility Design for People With Visual Impairments brochure presents the results of previous research on signage, tactile surface treatments, and information systems for persons with visual impairments for transit facility designers and operators.

Assistive Listening Systems brochure provides updated information on technological developments in equipment designed to assist people who are hearing impaired.

Auditory Alarms report provides information on alarm systems for people who are visually impaired.

Publications initiated in fiscal year 1989 were:

A technical assistance brochure to help airports provide accessibility for TDD users and other hearing-impaired persons.

A brochure featuring working, drawings and descriptions of mobility aid securement on transit vehicles to provide often requested information to transit agencies, consumers, and local government agencies.

In addition to these new publications, the Board provided articles for publication in several national periodicals:

A series of articles which featured general accessibility to picnic areas, campsites, and trails was written for *Design*, a quarterly publication of the Natonal Park Services.

An article on ways to make accessibility compatible with preserving the historic significance of buildings was written for the *Construction Specifier*.

An article on the application of the Architectural Barriers Act to transportation was printed in the *National Journal of Rehabilitation* and *Passenger Transport*, a publication of the American Public Transit Association.

PRIVATE SECTOR

Mr. COUGHLIN. What advances have been made by the private sector in building accessibility in recent years?

Mr. SMITH. There certainly is an increased interest in the field. In a recent home builders' conference, there was a Nest '90, which was a demonstration home that incorporated basic design features and adaptable cabinetry and equipment to accommodate the needs of all users.

Clearly, many builders are specializing in home building and renovation for older and disabled consumers. And everybody is looking forward to the HUD accessibility guidelines to fulfill the requirement of the 1988 Fair Housing Amendments Act.

Mr. COUGHLIN. Last year, Mr. Tangye stated that the private sector was not performing as well as they should in the transportation area. Is that still the situation? If so, is there anything the Board can do to improve the private sector's performance?

Mr. SMITH. The answer is emphatically yes. It's not performing as well as we would like to see it perform. Progress is being made, and legislation is needed to ensure the removal of barriers. And let me refer to Dennis Cannon to elaborate.

Mr. CANNON. The private sector has been rather uneven in many cases by some doing very innovative kinds of projects and some not doing so much. There seems to be a tendency to be very insular and not look beyond your own industry and associates as to what's going on. Part of the problem is just a lack of information and people trying to re-invent the wheel because they don't realize that somebody else has already solved this problem.

One of our goals has been to try to facilitate the communication. A great deal of the information referral, things that we do on technical assistance, is no more than connecting people up, telling people that somebody over here has done a similar project and so forth.

The lift that's being used by Amtrak in many of its stations was located because I attended a conference in France many years ago and found out that a Canadian firm was working on this. And so there's a lot of this intercommunication that needs to be done. And we expect that the people in the transit industry for the most part often don't know what requirements are and in many cases are sort of searching around for things.

We think the Americans with Disabilities Act, for example, will give people a set standard of something like what is an accessible bus that will lead to a great many changes. The lift and securement industry has changed remarkably since the Urban Mass Transportation Administration sponsored a project in 1986 to develop some advisory guidelines on lifts and securements, none of which are mandatory, but have been accepted by the industry simply because there is now a standard that somebody can look at and say this is what we need to do.

Mr. **Coughlin**. Thank you, Mr. Chairman. That concludes the general questions.

Mr. **Lehman**. At this time we will have to recess for about ten minutes while we vote. If you don't go away, we'll come back for the justification questions.

Mr. **Smith**. We'll be here, Mr. Chairman.

JUSTIFICATIONS—APPROPRIATION REQUEST

Mr. **Lehman**. Turn to the justifications. You are requesting an appropriation of $2.1 million for fiscal year 1991, an increase of $164,000 over the current fiscal year. What was your request to OMB?

Mr. **Smith**. $2.3 million, Mr. Chairman.

Mr. **Lehman**. On page 3, you are requesting a $16,000 increase, about 14 percent, for travel. Why?

Mr. **Smith**. Because there is constant, as we've mentioned before, increase of demand for travel for training, to actually work with both the public and private sectors. And most of that training is on the UFAS standards. But we also want to continue our outreach and educational initiative that we have started.

Mr. **Lehman**. One of your witnesses was talking about a conference overseas where he found some help that enabled us to do some changes for accessibility. Are you planning any travel overseas in any of this?

Mr. **Smith**. None.

COMMUNICATIONS, UTILITIES, AND MISCELLANEOUS

Mr. **Lehman**. Maybe you should.

For communications, utilities and miscellaneous charges, you are requesting nearly a 20 percent increase. This is considerably above the rate of inflation. Why do you need the large increase?

Mr. **Smith**. It is really in two areas: one, to be able to permit us to respond to the growing number of requests for information, and then we will be distributing a lot of additional publications. The cost of the new telephone system, the FTS 2000, is part of that expense.

Mr. **Lehman**. For printing you are requesting an increase of 55 percent. Why?

Mr. **Smith**. Again, as I said, our publications will increase. We expect to print in the next year a UFAS retrofit manual, a UFAS MGRAD accessibility guidebook, a human factors demographics brochure, and a UFAS checklist. And so we will have substantial publication costs.

Mr. **Lehman**. You are also requesting a 50 percent increase in supplies, a 100 percent increase for equipment—why?

Mr. **Smith**. Library and our library collection.

[Additional information follows:]

The increase for supplies is necessary for new library acquisitions to maintain the ATBCB's state-of-the-art accessibility information collection. The increase for equipment is necessary to maintain the agency's computer equipment; acquire needed hardware and software enhancements; acquire necessary computer accommodations to meet the needs of disabled staff and Board members; and replace the agency's aging copier equipment.

ADMINISTRATIVE CONTRACTS

Mr. **Lehman**. Please provide for the record a listing of your administrative contracts for fiscal years 1990 and 1991.

[The information follows:]

Administrative Contracts—FY 1990 and 1991

Administrative Support Services,
Mailing Services,
Court Reporter,
Interpreters for the Deaf,
Courier Service,
Computer Maintenance,
Preparation of Cassette/Braille Materials,
Computerized Legal Research,
IBM Copier Maintenance,
Savin Copier Maintenance,
Braille Equipment Maintenance,
Audits,
Drayage,
Drug Testing, and
Employee Assistance Program.

MGRAD REVIEW

Mr. **Lehman**. On page 10, what were the results of your in-depth review of the minimum guidelines and requirements for accessible design (MGRAD)?

[The information follows:]

The results included recommendations for additions to MGRAD or changes as well as additional research in the following major areas:

Development of an MGRAD/UFAS Accessibility Handbook.

Addition of accessibility provisions for children's environments (research recommended; approved by the Board and currently in contracting).

Addition of accessibility provisions for recreational facilities.

Changes to provisions for visual alarms (Board-sponsored research completed).

Changes to parking and passenger loading zones including the impact of scooters (research recommended; approved by the Board and currently in contracting).

Definitions and measurement of slip resistant surfaces (Board-sponsored research completed).

Definitions and clarification of Egress provisions (Board-sponsored research completed).

Detectable (tactile) warnings on transit platforms.

ANSI REVIEW

Mr. **Lehman**. What is the status of the American National Standards Institute review?

Mr. **Smith**. I don't know the answer to that.

Mr. **Lehman**. For the record, could we have that?

Mr. **Roffee**. We can answer it now or for the record.

Mr. **Lehman**. Do it now.

Mr. **Roffee**. We are a member of the ANSI Secretariat and our staff is currently participating in a review of the ANSI standards. They concluded several meetings several weeks ago. There will be several more meetings this summer, I believe, to conclude a recommended revision to the ANSI by 1991.

CIVIL PROCEEDINGS

Mr. **Lehman**. On page 11, you indicate that your complaint processing rules provide for participation in civil proceedings. How often is this required?

Mr. **Smith**. We've issued one citation in approximately five years. Last fall, we issued a citation to the City of Philadelphia, the Southeastern Pennsylvania Transit Authority, for some inaccessible subway stations.

TRAINING

Mr. **Lehman**. On page 14, you indicate your staff has provided training to 33 Federal agencies and private entities. Do these organizations reimburse you for the training?

Mr. **Smith**. They did not in 1989. In 1990, at our request, most federal agencies are reimbursing us for that training.

TRANSPORTATION SERVICES DATABASE

Mr. **Lehman**. You state that you plan to develop a database on transportation services for people with disabilities. Does the Health and Human Services Department maintain any data on available transportation services for people with disabilities?

Mr. **Smith**. We don't know of any, but I might ask Dennis Cannon to comment on that.

Mr. **Cannon**. The quick answer is no. There is a great deal of money spent by Health and Human Services on transportation provision but those are generally because programs are designed to deliver some other service, like meals or training or what not, and they find they cannot get people to those programs.

So those programs then create transportation programs that are really not part of their mandate, and because they are not a dedicated transportation function, nobody has really got a good handle on exactly what is there.

But the question we get most often asked in terms of the technical assistance is what is the status of a particular public transit agency in a particular city? How many busses do they have? What kind of paratransit? What is the level of service in that system? And that's the kind of thing that we hope to capture.

We think that if we had that on a database it would be far easier to answer these kinds of questions than go out and do some research and call people back and so forth.

Mr. **Lehman**. Please provide for the record the estimated cost for each of the four transportation-related research efforts listed on pages 14 and 15.

[The information follows:]

The cost estimates for the four transportation-related projects are:

(1) Training Materials: Both general and transportation facility related materials will be developed. Materials will include the development of UFAS training video-

tapes and slide materials, for use in a training program aimed at UMTA Regional Officials and transit agencies. Cost estimate: $180,000 [1]

(2) Database: Creation of a computerized, easily updated, database on urban mass transportation services for people with disabilities throughout the country. Cost estimate: $30,000

(3) Wheelchair Compatability and Securement Technical Assistance: Research the compatibility of different wheelchairs with current vehicles and platform lift configuration and securement equipment and produce technical assistance materials to assist consumers, manufacturers and transit providers choose or develop appropriate equipment. Cost estimate: $50,000

(4) Accessibility Related Needs of Hearing and Visually Impaired Persons in Transportation Facilities: A project to examine the needs of hearing and visually impaired individuals in using transit facilities, primarily focusing on urban mass transportation facilities and airports. The project will address issues of safety, communication and wayfinding concerns and identify existing technology that could be incorporated in transit facilities to address these concerns. Examples of such technology includes a variety of visual signs, detectable warning surfaces, TDDS, auditory or talking signs, and equipping fare card machines with verbal annunciators. Cost estimate: $50,000

WORKSHOPS AND CONFERENCES

Mr. LEHMAN. How many workshops and conferences did the Board participate in during the past year?

[The information follows:]

Since last March, we have participated in over 40 workshops and conferences.

STAFF TRAINING PLAN

Mr. LEHMAN. What are the major elements of your staff training plan?

Mr. SMITH. Staff training is mostly professional training, training in areas such as improved writing skills. We also have in-house training on the UFAS standards, and for the coming year, we will be participating more frequently in the training available to us on management skills.

STAFF TURNOVER

Mr. LEHMAN. What was the turnover rate for the Board's staff in fiscal year 1989 and what has it been to date this year?

[The information follows:]

The ATBCB's turnover rate in fiscal year 1989 was 39 percent. To date this fiscal year the turnover rate is zero percent.

PUBLIC HEARINGS

Mr. LEHMAN. How many public hearings do you plan to conduct in fiscal years 1990 and 1991?

Mr. SMITH. Our general philosophy is that we try to hold every other meeting out of the city of Washington and we hold a hearing whenever we are out of the city of Washington.

In the near future, that will not be possible because of all the work the Board is going to have to be doing on ADA. So from the minute the ADA passes, for several months, we will be holding most of our meetings here in Washington.

Mr. LEHMAN. This is where the action is for the next year.

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[1] The ATBCB is working with member agencies to develop these materials through a cooperative funding arrangement thereby possibly reducing overall costs to the Board.

The Board realizes that all projects may not be fundable with FY 1991 monies.

Mr. **Smith**. Yes, sir.

Mr. **Lehman**. What additional costs do these public hearings require and what additional information do you obtain that you wouldn't get otherwise?

Mr. **Smith**. The additional costs are very, very minimal. We would have the travel for our staff and our members anyway, and other than that, it's just a larger room than we would normally require for the hearing.

The information that we obtain—it's a case of our staying familiar with the grassroots issues out there, and understanding what is being said. We recently, just in the last month, compiled a list of what we had been told or what we heard as we conducted these hearings, and I think it would be well to submit that for you for the record, if you would like to have it.

[The information follows:]

ATBCB PUBLIC FORUM SUMMARY

The verbatim transcripts of the public forums held in New Orleans, Tampa, Portland, Oregon, and Houston were reviewed and the comments from the participants organized into subjects. The comments have been summarized and put into outline form.

I. Transportation.

A. Accessible Fixed Route Systems.

1. There are many good examples of accessible transportation systems - Houston and Portland.

2. Lifts on buses are not expensive to maintain.

3. Accessible fixed route transportation is most successful when planned in cooporation with local advocacy groups.

4. Wheelchair securement continues to be a problem, particularly with three-wheeled chairs. The Board's technical assistance publications on the subject appear to be timely.

5. There are still many areas where there is no accessible fixed route transportation available.

6. Accessible fixed route transportation will relieve the demand for paratransit service and allow better service for those who cannot use the main system.

7. Accessible fixed route systems will ultimately help the local economy by allowing more people with disabilities to hold jobs.

C. Paratransit systems.

1. A system which relies solely on paratransit is not effective or efficient.

2. A system that relies solely on paratransit cannot meet the demands for transportation. Many people are being denied transportation.

3. Paratransit cannot routinely take people to work.
4. The advance notice time is too long to be practical.

D. Commercial air transportation.

1. Despite regulations some airlines have inconsistent policies on where people with disabilities can sit.

2. Boarding chairs do not seem to always be available at terminal gates.

3. The electric carts which are used for transportation inside of terminals are not accessible and should be made so.

4. There is a suggestion that the government consider not awarding special contracts to carriers who s aircraft are not accessible.

E. Rural transportation.

1. There is a complete lack of accessible transportation in the rural areas of the United States.

2. Paratransit is not a viable option because of the cost per trip when it is computed on mileage.

II. Public Accommodations.

A. Greater attention needs to be paid to making sports arenas and recreation areas accessible.

B. Federal buildings that were most often inaccessible were Post Offices and Department of Veterans Affairs hospitals.

C. Local government services such as police departments and district attorneys offices are inaccessible because they are often housed in old court buildings. They also do not provide interpreters or make TDDs available.

D. There is a distinct problem with inaccessible public schools and universities, particularly in the Southern United States.

E. Inaccessible motel and hotel rooms are a consistent problem.

F. The state of Oregon has a new law that requires all government facilities and public accommodations to be accessible.

G. Two employers - Safeway and Tektronics - felt that making their work places accessible was not expensive and they were able to hire qualified people with disabilities.

H. There is a continual problem with nonhandicapped people using parking spaces designated for people with disabilities.

III. Accessible housing.

A. State laws requiring accessible public accommodations did not require multiple housing units to be accessible, and there is hope that the Fair Housing Act amendments will change that situation.

B. There is concern that too many waivers will be granted under the Fair Housing Act, and that more education about the law is needed.

C. Portland, Oregon has a new city ordinance requiring adaptable units in apartment buildings in return for tax incentives.

IV. Building Codes.

A. Local enforcement.

1. The bottom line of accessibility in local buildings is in the hands of the local building code officials.

2. Local enforcement of the accessibility standards is very lax.

3. Local governments should involve qualified people with disabilities in the review of plans for new buildings.

4. Create a symbol to place on plans and buildings to confirm that they comply with UFAS.

B. Interpretation of standards.

1. There is a definite problem with the interpretation of standards at the local level.

2. The design criteria should be precise and not leave the specifications open to erroneous interpretation.

3. There seem to be too many loopholes in the requirements for accessibility.

C. Advocacy involvement.

1. Consumer involvement and representation on regulatory bodies is essential.

2. Consumers should use the local code enforcement office to enforce accessibility.

3. Local organizations should also work closely with the building codes office and local transit authorities during the construction of local mass transit systems.

V. UFAS and ANSI Design Standards.

A. Education.

1. More information is needed on the standards to be used under the Fair Housing Act.

2. The Board was urged to continue and expand its training sessions on design standards.

3. It is crucial that people with disabilities be aware of the standards.

4. There seems to be a need to get information on accessibility to employers.

5. The Board should work with professional organizations such as the AIA to bring about greater awareness of and sensitivity to accessibility problems.

6. The Board should work with schools of architecture to create better curriculums and better educate architects.

B. Single Federal standard.

1. The absence of a single federal standard that is easy to use is a major problem.

2. The ANSI standards are becoming weak and eventually may not be an enforceable code.

3. It is important that the standards be kept state-of-the-art.

C. Universal Design.

1. Access should be addressed in a practical, functional manner.

2. Environments should be created that meet the needs of all people without appearing special.

3. More examples of buildings that are aesthetically pleasing and that are universally designed should be used to demonstrate that access is saleable and not sterile.

D. Technical issues raised.

1. Construction tolerances should be given in the standards.

2. The parking requirements do not apply if spaces are not provided for employees or visitors of both. At least two spaces should be provided at any Federal facility of any program that was provided with federal funds.

3. The ATBCB should require that all entrances be accessible.

VI. Barriers to the Visually Impaired.

A. Most materials that are produce by the Federal Government and state and local governments are not readily accessible in formats such as braille or large print.

B. There is a lack of standards and research concerning the access needs of blind and visually impaired people. Standards for transit systems, traffic signals, and walkways are crucial.

C. The interests of visually impaired people, for the most part, have been ignored in the setting of standards for architectural and transportation barriers compliance.

VII. Barriers to Deaf and Hearing Impaired.

A. It is very common to encounter government employees at the federal, state, and local level who are unaware of the provisions required under Section 504.

B. There are several examples of excellent accommodations for people who are hearing impaired particularly in Oregon.

1. There is state legislation requiring door alerting devices in hotels and motels to warn people with hearing impairments when there's a fire. There is also a published directory indicating facilities for people with disabilities in 700-800 hotels and motels in the state.

2. The Technology and the Telecommunications for the Deaf Access Program, has made it possible for every qualified deaf person to have a personal TDD in his home.

3. Recent state legislation mandating that all public meetings be accessible has made it possible for deaf people to become involved in the governments of their cities, counties, and state.

4. Through the Telecommunications for the Deaf Access Program, the new 24-hour relay system is handling 400-500 calls a day and is expected to increase to 16,000 a month.

VIII. Attitudes Are Still A Barrier.

- A. A manager refused to rent meeting space because "wheelchairs would clog up the elevators at critical times."
- B. A manager of a theater refused to allow people using wheelchairs to sit any other place than the orchestra area.
- C. There was resistance to making public accommodations accessible because they would not be used.

IX. Compliments to the ATBCB.

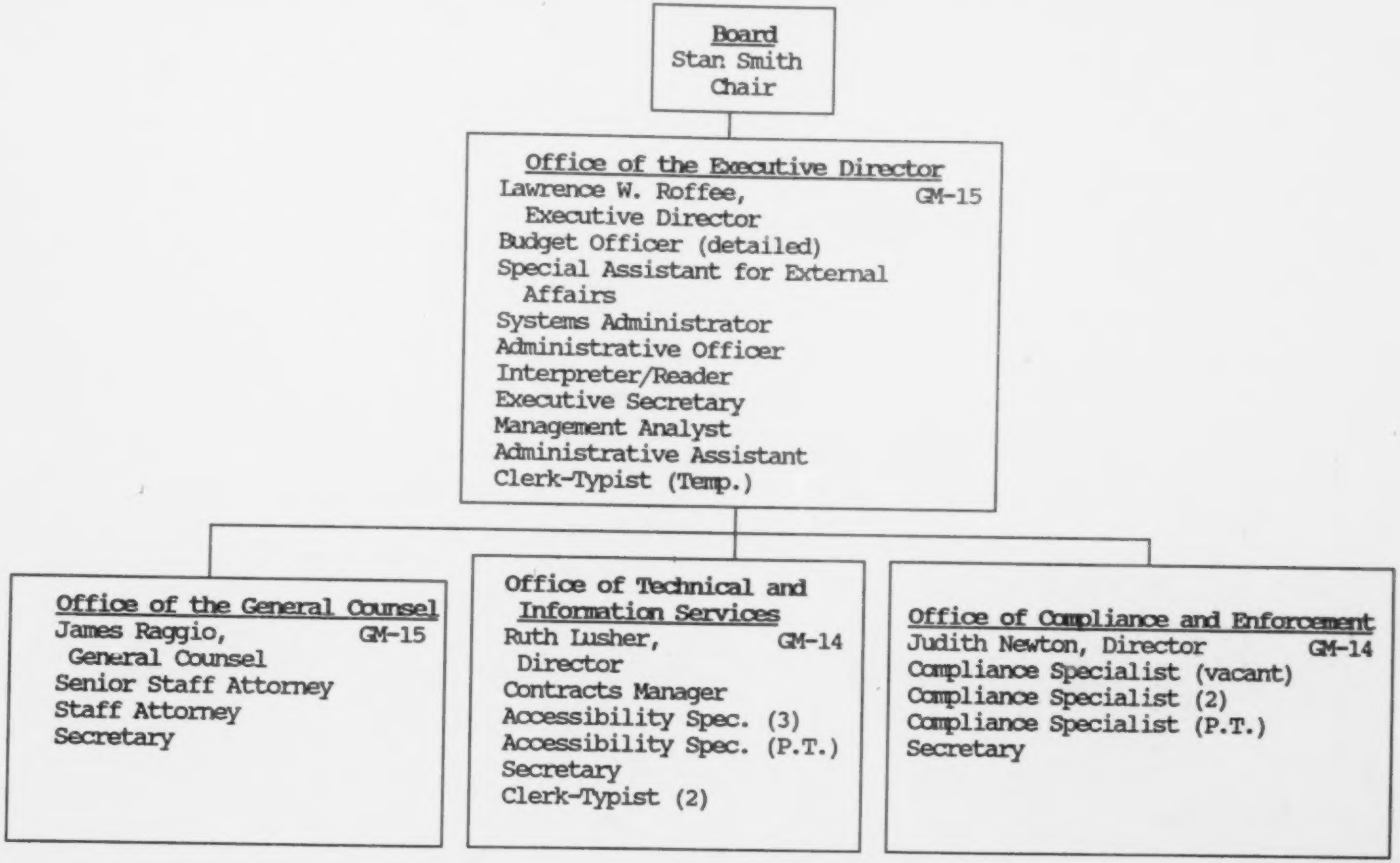
- A. Thank you to the Board for holding public hearings.
- B. Board efforts to make public accommodations accessible are appreciated.
- C. It makes the Board more effective to have people with disabilities as members, particularly visually impaired.
- D. Thank you to the Board for expeditiously responding to a complaint regarding the Tri-rail system in Miami.
- E. The ATBCB has made strides to become an effective agency that is now having a positive impact on the disability movement and access in the United States.
- F. The Board was congratulated on its position on the aircraft seating issue.

ORGANIZATION CHART

Mr. **Lehman**. Please provide for the record an organization chart showing the number of personnel assigned to each office.

[The information follows:]

ATBCB Organizational Chart



Board
Stan Smith
Chair

Office of the Executive Director
Lawrence W. Roffee, GM-15
Executive Director
Budget Officer (detailed)
Special Assistant for External Affairs
Systems Administrator
Administrative Officer
Interpreter/Reader
Executive Secretary
Management Analyst
Administrative Assistant
Clerk-Typist (Temp.)

Office of the General Counsel
James Raggio, GM-15
General Counsel
Senior Staff Attorney
Staff Attorney
Secretary

Office of Technical and Information Services
Ruth Lusher, GM-14
Director
Contracts Manager
Accessibility Spec. (3)
Accessibility Spec. (P.T.)
Secretary
Clerk-Typist (2)

Office of Compliance and Enforcement
Judith Newton, Director GM-14
Compliance Specialist (vacant)
Compliance Specialist (2)
Compliance Specialist (P.T.)
Secretary

ADJOURNMENT

Mr. **Lehman**. Mr. Coughlin.

Mr. **Coughlin**. I have no further questions.

Mr. **Lehman**. I want to thank you for being here. You are doing the Lord's work, and don't forget to write Secretary Chaney and say transfer some of that money to the disabled.

Mr. **Smith**. Thank you, Mr. Chairman.

Mr. **Lehman**. Thank you.

WITNESSES

ADMIRAL PAUL A. YOST, JR., COMMANDANT
REAR ADMIRAL MARSHALL E. GILBERT, RESOURCE DIRECTOR/COMPTROLLER
CAPTAIN J. DAVID SPADE, CHIEF, BUDGET DIVISION
CAPTAIN KENNETH W. THOMPSON, CHIEF PROGRAMS DIVISION
COMMANDER ROBERT FOLEY

Mr. LEHMAN. Good morning. The Subcommittee will come to order.

This morning we will receive testimony on the fiscal year 1991 budget request for the U.S. Coast Guard. Our principal witness today is the Commandant, Admiral Paul A. Yost, Jr.

Admiral Yost, we will be pleased to hear your statement at this time. You may read it, or if you would prefer to summarize it, we will insert your entire statement in the record.

OPENING STATEMENT

Admiral YOST. Thank you very much and good morning, Mr. Chairman. As you suggested, I will condense my statement and ask that my complete statement be included in the record.

I am pleased to meet with you and other Members of this distinguished subcommittee to review and discuss the Coast Guard's fiscal year 1991 budget request. Accompanying me today are my Resource Director and Comptroller, Rear Admiral Ed Gilbert; chief of the Programs Division, Captain Ken Thompson; and the chief of the Budget Division, Captain Dave Spade.

Mr. Chairman, I want to thank you and other Members of your subcommittee for your efforts in obtaining funding for the Coast Guard in Fiscal Year 1990. It permitted us to maintain full operations and press forward with critical replacements to our capital plant and other important initiatives. We look forward to working closely with you so that the Coast Guard can continue to be responsive in meeting changing national needs and priorities.

As my Coast Guard career and tenure as Commandant come to a close, I view with pride our efficient, flexible and disciplined organization, which is entering its third century of proud service to the nation. We are a humanitarian service and in recent years have been called the "Guardians of the Sea." Whether it be in rescuing endangered mariners, maintaining our nation's aids to navigation system, guarding our maritime borders against illegal drugs, enforcing fisheries conservation laws on the oceans, supporting national interests in the Polar regions or preventing damage to our marine environment, our missions share the common thread of protecting lives, property and national resources. Our various peacetime roles also provide a ready force of trained personnel and equipment to respond immediately to national security needs.

In order to maintain our multi-mission capabilities and respond to the changing priorities of today and tomorrow, the Coast Guard must have the necessary equipment, people, training and operating funds. This budget request will maintain our current level of operations and allow the flexibility to respond to new and emerging priorities.

Our operating expenses appropriation request allows us to continue our traditional missions at current levels with minimal increase to support added emphasis in certain key mission areas or to operate newly-acquired capital assets.

Our Acquisition, Construction and Improvements, appropriation request is largely comprised of multi-year projects to acquire replacements or improve existing capital assets. A particular emphasis has been placed on improving the condition of our deteriorating shore plant. For the first time, our request includes funds for a separate Environmental Compliance and Restoration appropriation, which was established by the Coast Guard Authorization Act of 1989. And our Reserve Training appropriation continues towards our goal to have a selected reserve strength level which eventually meets 95 percent of our highest priority mobilization requirements.

I would now like to take a few minutes to show you some visual aids which help explain our budget request.

[Slide 1 follows:]

UNITED STATES COAST GUARD
AN AVERAGE DAY IN 1989

- SAVED 12 LIVES
- ASSISTED 343 PEOPLE
- SAVED $3.1 MILLION IN PROPERTY
- COMPLETED 143 SEARCH AND RESCUE CASES
- RESPONDED TO 25 OIL OR HAZARDOUS CHEMICAL SPILLS
- CONDUCTED 83 PORT SAFETY/SECURITY OPERATIONS (INSPECTIONS, PATROLS AND BOARDINGS)
- INSPECTED 108 COMMERCIAL VESSELS
- INVESTIGATED 25 MARINE ACCIDENTS
- SERVICED 131 AIDS TO NAVIGATION
- SEIZED 855 LBS OF MARIJUANA AND 43 LBS OF COCAINE (STREET VALUE OF DRUGS SEIZED: NEARLY $3.3 MILLION)

COST: ONLY $5.8 MILLION A DAY!

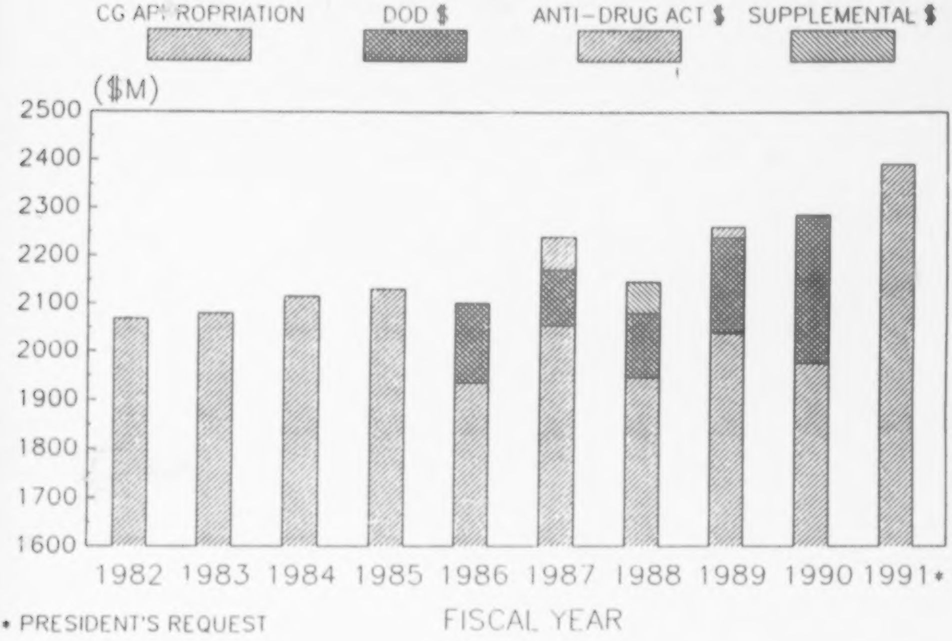
Admiral YOST. Of course, there is no such thing as an average day, but you can see, Mr. Chairman, that our Coast Guard gives substantial value to the nation for an operating cost of only 5 million per day. I would also mention that we save 3.1 million in property per day. That leaves a net cost to the taxpayer of only 2.7 million. And we save, or we capture, seize $3.3 million worth of drugs in an average day. So, if we could only sell those drugs, we would be making a profit, sir. [Laughter.]

OPERATING EXPENSES

I do not know how you factor that into Gramm-Rudman-Hollings.

[Slide 2 follows:]

U.S. COAST GUARD – FY 1991 BUDGET
OPERATING EXPENSES APPROPRIATION
FY 1991 CONSTANT DOLLARS



* PRESIDENT'S REQUEST

Admiral **Yost**. The red and green colored bars in the next slide show that in recent years the Coast Guard's Operating Expenses appropriation has been funded from different sources. I reiterate my position, the Administration's position, that the Coast Guard should be fully funded within the Transportation appropriation. And as a start, Mr. Chairman, we need to somehow take that red area that shows the amount we got from DOD last year and get it into our 302[a] and 302[b], and I will be, of course, working, as I know you will, with our budget committees in trying to do that.

Mr. **Lehman**. We should be here so long.

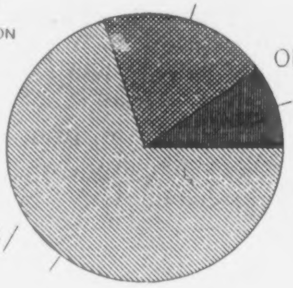
Admiral **Yost**. Yes, sir.

[Slide 3 follows:]

U.S. COAST GUARD – FY 1991 BUDGET
OPERATING EXPENSES APPROPRIATION
INCREMENTAL REQUEST

MAINTENANCE/UPGRADE OF ASSETS
$36M – 20%

- MARINE ENVIRONMENTAL PROTECTION
- ENVIRONMENTAL COMPLIANCE
- SHORE FACILITY REHABILITATION
- CORPORATE DATA BASE
- HEALTH CARE FUNDING
- SHIP CONFIGURATION MANAGEMENT



OPERATE NEW FACILITIES
$19M – 10%

- AIR FACILITY CHARLESTON
- HH-60J AIRCRAFT FOLLOW-ON
- HH-65A AIRCRAFT FOLLOW-ON
- SHORE FACILITY CONSTRUCTION F/O
- WATERWAYS ATON FOLLOW-ON

PROGRAM ADJUSTMENTS/
BUILT-IN-CHANGES
$126M – 70%

- PAY RAISE ANNUALIZATION
- COST OF LIVING INCREASE
- GSA RENT INCREASE
- RESTORE ONE-TIME REDUCTIONS

TOTAL – $181M

Admiral YOST. The next graph categorizes our $181 million incremental request after annualizing last year's funding from DOD. You see that $126 million, or 70 percent of the request, is for built-in changes and adjustments over which we have little control; that is, pay raises, entitlements, rent increases, and cost of living. Thirty-six million is for maintenance requirements or to upgrade capital assets. Included in this category are health care costs in excess of cost of living adjustment, establishment of a shipboard configuration management system to improve fleet readiness, and funds to sustain our leadership role in protecting the marine environment.

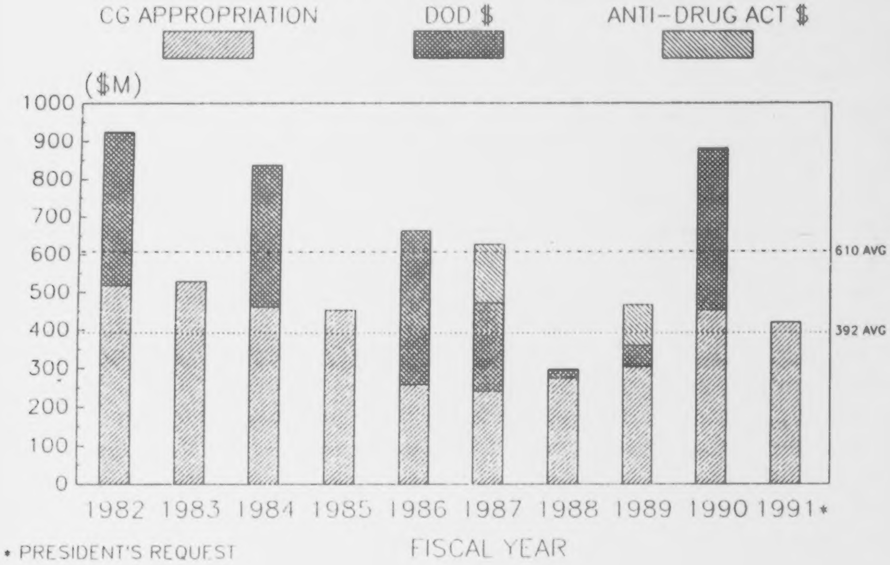
The remaining 10 percent, or 19 million, is requested to operate and maintain new capital assets, such as the new air facility in Charleston, the HH-60J and HH-65A helicopters, and our new shore facilities.

[Slide 4 follows:]

U.S. COAST GUARD – FY 1991 BUDGET

AC&I APPROPRIATION

(FY 1991 CONSTANT DOLLARS)



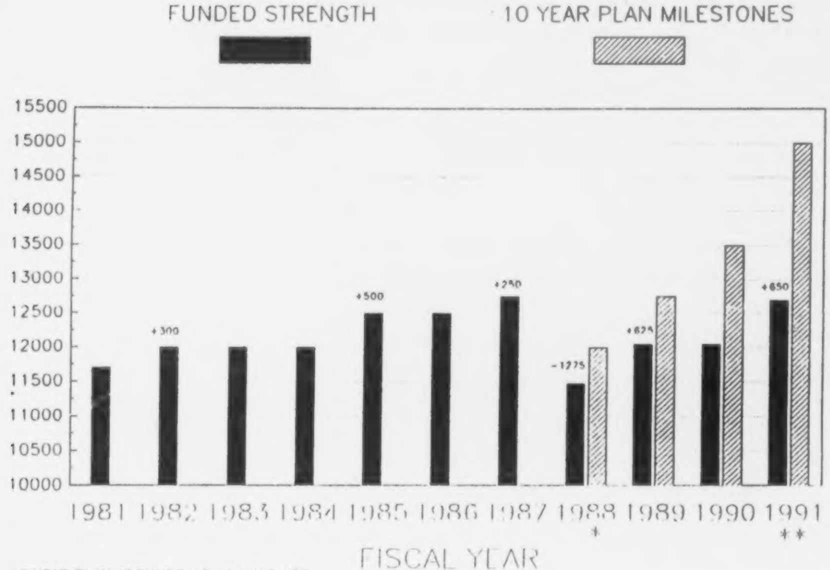
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS

Admiral **Yost**. The next slide shows our AC&I appropriation history. Multi-year projects in this request include the continuation of the FRAM program for 378-foot cutters, the buoy tender replacement programs, renovation programs for the 210-foot cutters and buoy tenders and construction of sorely needed family housing units. Like the Operating Expenses account, AC&I has received significant funding from DOD over the years. Again, our Fiscal Year 1991 request proposes full funding within the Transportation appropriation.

I would mention that although our request is well below the average of what we have gotten over the last 10 years or so, funding that icebreaker out of the DOD budget in 1990 was a big help. And if we were to lose that icebreaker in the DOD budget—you know they put it on the deferral list—if that would suddenly be lost out of the budget, that would have a major impact on the future budget someplace along the line as we put into the DOT appropriation someplace an icebreaker. So, I am going to work very hard to see that we get that icebreaker off the Defense deferral list so that we get that funded and do not have to suffer with it in years to come in our appropriations hearing.

[Slide 5 follows:]

U.S. COAST GUARD – FY 1991 BUDGET
RESERVE TRAINING APPROPRIATION
SELECTED RESERVE STRENGTH



* 10 YEAR PLAN ASSUMED 12,000 IN FY 88

** PRESIDENT'S REQUEST

SELECTED RESERVE STRENGTH

Admiral YOST. The last graph shows the recent history of our selected reserve strength. The Fiscal Year 1991-requested increase of 7 million includes 4 million to increase the selected reserve force of 650 to a level of 12,700. This level will allow us to meet 46 percent of the full mobilization requirements. Our plan calls for a systematic annual growth to reach a strength that will allow us to meet 95 percent of our highest priority mobilization requirements. Reservists continue to make important contributions to the Coast Guard, as exhibited in the response to the Exxon Valdez oilspill, Hurricane Hugo and the San Francisco earthquake. You see, the slope of the blue, if you put a line right up those blue graphs, you will see the slope that we are trying to maintain on increasing our reserve, and the red is what we have actually asked for this year. As you can see, that does not meet the slope or even come anywhere close to it.

[Slide 6 follows:]

UNITED STATES COAST GUARD
FY 1991 BUDGET GOALS

- * RESPOND TO NATIONAL PRIORITIES SUCH AS DRUG CONTROL AND ENVIRONMENTAL PROTECTION
- * CONTINUE CURRENT SERVICES WITH ADEQUATELY STAFFED UNITS
- * MEET NEW STATUTORY REQUIREMENTS
- * FULLY STAFF AND OPERATE NEW CAPITAL ASSETS
- * UPGRADE OR REPLACE AIRCRAFT AND CUTTER FLEETS
- * RENOVATE OR REPLACE AGING SHORE FACILITIES

BUDGET GOALS

Admiral YOST. The next slide just shows our overall goals for the fiscal year 1991 budget. In order to continue our multi-mission service, we must be funded to support the ongoing levels of operations, address changing national priorities, and provide for replacement of capital assets as they reach the end of their service lives.

Mr. Chairman, President Bush and Secretary Skinner are both in full support of the Coast Guard's 1991 budget request. I ask for your support and leadership and the support of this subcommittee to obtain full funding for the Coast Guard. I will be happy to respond to any questions any Members of the subcommittee may have, sir.

[The prepared statement of Admiral Yost follows:]

DEPARTMENT OF TRANSPORTATION
U. S. COAST GUARD
STATEMENT OF ADMIRAL PAUL A. YOST, JR.
ON THE FISCAL YEAR 1991 BUDGET REQUEST
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
MARCH 6, 1990

GOOD MORNING, MR. CHAIRMAN. I AM PLEASED TO APPEAR BEFORE THIS DISTINGUISHED SUBCOMMITTEE TODAY TO REVIEW AND DISCUSS THE COAST GUARD'S FISCAL YEAR 1991 BUDGET REQUEST.

ACCOMPANYING ME TODAY ARE THE RESOURCE DIRECTOR/COMPTROLLER, REAR ADMIRAL GILBERT, THE CHIEF OF THE PROGRAMS DIVISION, CAPTAIN THOMPSON; AND THE CHIEF OF THE BUDGET DIVISION, CAPTAIN SPADE.

MR. CHAIRMAN, ON BEHALF OF COAST GUARD MEN AND WOMEN SERVICEWIDE, I THANK YOU AND THE OTHER MEMBERS OF YOUR SUBCOMMITTEE FOR YOUR EFFORTS IN OBTAINING FUNDING FOR THE COAST GUARD IN FISCAL YEAR 1990. IT PERMITS US TO MAINTAIN FULL OPERATIONS AND STILL PRESS FORWARD WITH CRITICAL REPLACEMENTS IN OUR CAPITAL PLANT AND OTHER IMPORTANT INITIATIVES.

AS MY COAST GUARD CAREER AND TENURE AS COMMANDANT COME TO A CLOSE, I VIEW WITH PRIDE OUR EFFICIENT, FLEXIBLE, AND DISCIPLINED ORGANIZATION WHICH IS ENTERING ITS THIRD CENTURY OF PROUD SERVICE TO THE NATION. FOR TWO HUNDRED YEARS THE COAST GUARD AND ITS ORGANIZATIONAL ANCESTORS HAVE DEFENDED AND PROTECTED LIVES, PROPERTY AND NATURAL RESOURCES IN THE MARITIME ENVIRONMENT, ENFORCED LAWS AND PLAYED A SIGNIFICANT ROLE IN THE DEFENSE OF OUR COUNTRY. THROUGHOUT ITS HISTORY, THE COAST GUARD HAS DEMONSTRATED A REMARKABLE FLEXIBILITY IN MEETING CHANGING NATIONAL NEEDS AND PRIORITIES.

WE ARE A HUMANITARIAN SERVICE AND IN RECENT YEARS HAVE BEEN CALLED THE "GUARDIANS OF THE SEA." THAT LABEL IS APPROPRIATE, CONSIDERING OUR MANY MISSIONS WHICH SHARE THE COMMON THREAD OF PROTECTING LIVES, PROPERTY AND NATIONAL RESOURCES. THESE MISSIONS INCLUDE: PROTECTING LIVES AND PROPERTY THROUGH THE SEARCH & RESCUE AND MARITIME SAFETY PROGRAMS; GUARDING OUR MARITIME BORDERS AGAINST ILLEGAL DRUGS AND OTHER CONTRABAND; ENFORCING THE CONSERVATION OF OCEAN FISHERIES; SUPPORTING NATIONAL SECURITY, SCIENTIFIC, AND ENVIRONMENTAL INTERESTS IN THE POLAR REGIONS; AND PREVENTING--AND IF NECESSARY, MITIGATING--DAMAGE TO OUR MARINE ENVIRONMENT. IN ADDITION, COAST GUARD MISSIONS PROMOTE A SAFE AND EFFICIENT MARITIME LINK TO GLOBAL AND MANY DOMESTIC MARKETS.

OUR VARIOUS PEACETIME ROLES ALSO PROVIDE A READY FORCE-IN-BEING OF TRAINED PERSONNEL, VESSELS, AIRCRAFT AND EQUIPMENT TO RESPOND IMMEDIATELY TO NATIONAL SECURITY NEEDS, IN THE EVENT OF WAR OR NATIONAL EMERGENCY.

THE EFFICIENCY AND EFFECTIVENESS OF THE COAST GUARD ARE PERHAPS BEST EVIDENCED BY THE FACT THAT A NUMBER OF OTHER COUNTRIES MODEL THEIR OWN NAVAL OR COAST GUARD FORCES AFTER OUR SERVICE. WE ARE WIDELY IN DEMAND TO SHARE OUR OPERATIONAL EXPERTISE AND TRAINING. I SEE OUR ROLE IN THE INTERNATIONAL ARENA GROWING IN THE YEARS AHEAD.

IN ORDER TO CONTINUE OUR MULTI-MISSION SERVICE TO THIS NATION AND OTHERS, WE MUST BE FUNDED TO SUPPORT ONGOING LEVELS OF OPERATIONS, ADDRESS CHANGING NATIONAL PRIORITIES AND PROVIDE FOR REPLACEMENT OF CAPITAL ASSETS AS THEY REACH THE END OF THEIR

SERVICE LIVES. AS YOU KNOW, THE U.S. COAST GUARD IS ONE OF THE NATION'S FIVE ARMED FORCES. RECENT SHIFTS IN NATIONAL DEFENSE REQUIREMENTS BROUGHT ABOUT BY EVENTS IN THE SOVIET UNION AND EASTERN EUROPE WILL INCREASE THE IMPORTANCE OF HAVING A FORCE-IN-BEING TO PERFORM THE MISSIONS OF A PEACETIME COAST GUARD, WHILE AT THE SAME TIME PROVIDING DEFENSE CAPABILITY. IN ADDITION, NATIONAL PRIORITIES--SUCH AS THE WAR ON DRUGS AND PROTECTION OF THE ENVIRONMENT--REQUIRE MODEST INCREASES IN FUNDING FOR THE COAST GUARD.

OUR FISCAL YEAR 1991 REQUEST REPRESENTS LESS THAN A SIX PER CENT INCREASE OVER THE LEVEL ENACTED FOR FY 1990. THE BULK OF THE REQUEST IS ATTRIBUTABLE TO COST OF LIVING AND OTHER BUILT-IN CHANGES IN THE OPERATING EXPENSES APPROPRIATION, CONTINUATION OF ONGOING CAPITAL IMPROVEMENT PROJECTS, AND PROGRESS TOWARD A LONG-RANGE GOAL TO BRING OUR SELECTED RESERVE UP TO REQUIRED STRENGTH. ONLY A SMALL PORTION OF THE REQUEST FUNDS NEW INITIATIVES IN RESPONSE TO THESE NATIONAL PRIORITIES.

BUDGET TOTALS

THE TOTAL BUDGET AUTHORITY WE ARE REQUESTING FROM THIS COMMITTEE IS $3,393.5 MILLION, AN INCREASE OF $194 MILLION OVER THE AMOUNT ENACTED FOR FISCAL YEAR 1990 INCLUDING SUPPORT IN KIND FROM DOD. AS ALWAYS, THE LARGEST PORTION OF THE TOTAL REQUEST IS FOR OPERATING EXPENSES (OE). THIS $2,391.4 MILLION REPRESENTS 70.5 PER CENT OF THE TOTAL REQUEST; THE OE APPROPRIATION FUNDS THE SALARIES AND BENEFITS FOR OUR PERSONNEL, AND THE OPERATION AND MAINTENANCE OF COAST GUARD SHIPS, AIRCRAFT AND SHORE FACILITIES.

OUR MAJOR CAPITAL IMPROVEMENTS ARE FUNDED BY THE ACQUISITION, CONSTRUCTION AND IMPROVEMENTS (AC&I) APPROPRIATION. OUR FISCAL YEAR 1991 AC&I REQUEST OF $419.5 MILLION IS 12.3 PER CENT OF THE TOTAL REQUEST.

THE $78.9 MILLION REQUESTED FOR RESERVE TRAINING WILL SUPPORT A SELECTED RESERVE STRENGTH OF 12,700, AN INCREASE OF 650 OVER THE ESTIMATED FISCAL YEAR 1990 YEAR-END STRENGTH.

WE ARE REQUESTING $23 MILLION FOR RESEARCH, DEVELOPMENT, TEST AND EVALUATION; THIS FUNDING WILL DEVELOP HARDWARE, PROCEDURES AND SYSTEMS TO MEET FUTURE REQUIREMENTS, AND IMPROVE THE EXECUTION OF EXISTING COAST GUARD MISSIONS.

UNDER CURRENT LAW, OUR REQUEST IDENTIFIES $6.4 MILLION AS NEEDED TO FUND ALTERATION OF THREE BRIDGES WHICH HAVE BEEN FOUND TO BE OBSTRUCTIONS TO MARINE NAVIGATION. WHILE THE BUDGET PROPOSES TO TRANSFER THE PROGRAM, CONGRESS HAS NOT YET APPROVED THE TRANSFER OF THE BRIDGE ALTERATION PROGRAM TO THE ARMY CORPS OF ENGINEERS. AS LONG AS THE COAST GUARD RETAINS THE BRIDGE PROGRAM, THESE FUNDS WILL BE REQUIRED IN THE COAST GUARD BUDGET.

IN ORDER TO PROVIDE FINANCIAL ASSISTANCE TO THE STATES FOR THE DEVELOPMENT AND IMPLEMENTATION OF A COORDINATED NATIONAL RECREATIONAL BOATING SAFETY PROGRAM, WE ARE ASKING THAT $30 MILLION BE APPROPRIATED TO THE BOAT SAFETY ACCOUNT.

OUR REQUEST FOR $437.3 MILLION IN THE RETIRED PAY APPROPRIATION WILL FUND ANNUITIES AND MEDICAL ENTITLEMENTS FOR RETIRED MILITARY PERSONNEL, THEIR DEPENDENTS AND SURVIVORS.

FOR THE FIRST TIME, OUR REQUEST INCLUDES FUNDS FOR A SEPARATE ENVIRONMENTAL COMPLIANCE AND RESTORATION APPROPRIATION, WHICH WAS ESTABLISHED BY THE COAST GUARD AUTHORIZATION ACT OF 1989. THIS REQUEST FOR $7 MILLION IS NEEDED FOR THE COAST GUARD TO CARRY OUT ITS ENVIRONMENTAL COMPLIANCE AND RESTORATION RESPONSIBILITIES RESULTING FROM THE OPERATION OF FORMER AND CURRENT COAST GUARD FACILITIES. PRIOR TO THE FISCAL YEAR 1991 REQUEST, ACTIVITIES OF THIS NATURE WERE INCLUDED IN THE ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION.

OVERALL, OUR REQUEST SUPPORTS A LEVEL OF 38,421 MILITARY AND 5,702 CIVILIAN FULL TIME EQUIVALENTS.

OPERATING EXPENSES

WE ARE REQUESTING A $181 MILLION INCREASE IN OUR OPERATING EXPENSES APPROPRIATION, TO A LEVEL OF $2,391.4 MILLION. PROGRAM ADJUSTMENTS AND BUILT-IN-CHANGES SUCH AS PAY RAISE ANNUALIZATION, COST OF LIVING ADJUSTMENT AND GSA RENT INCREASE ACCOUNT FOR $126 MILLION (70 PER CENT) OF THE INCREASE.

TWENTY PER CENT, OR $36 MILLION, OF THE INCREASE IS TO MAINTAIN AND UPGRADE CERTAIN COAST GUARD ASSETS. INCLUDED IN THIS CATEGORY ARE HEALTH CARE COST INCREASES IN EXCESS OF THE COST OF LIVING ADJUSTMENT; ESTABLISHMENT OF A SHIPBOARD CONFIGURATION MANAGEMENT SYSTEM TO IMPROVE FLEET READINESS; SUSTAINING OUR LEADERSHIP ROLE IN PROTECTING THE MARINE ENVIRONMENT; AND MUCH-NEEDED REHABILILATION OF DETERIORATED SHORE FACILITIES.

THE REMAINING 10 PER CENT OF THE OE INCREASE ($19 MILLION) IS REQUESTED TO OPERATE AND MAINTAIN NEW CAPITAL ASSETS SUCH AS THE AIR FACILITY IN CHARLESTON, SOUTH CAROLINA; HH-60J MEDIUM

RANGE RECOVERY HELICOPTERS; NEW STATIONS SUCH AS THOSE IN RIVIERA BEACH AND CORTEZ, FLORIDA; AND LAND-BASED AEROSTATS.

OUR FISCAL YEAR 1991 REQUEST INCLUDES, AS PART OF THE FUNDING BASE, $300 MILLION RECEIVED FROM THE DEFENSE DEPARTMENT APPROPRIATION IN FISCAL YEAR 1990 ($160 MILLION CASH TRANSFER, AND $140 MILLION SUPPORT-IN-KIND). AS IN PREVIOUS YEARS, THESE FUNDS WHICH CONGRESS PROVIDED TO THE COAST GUARD VIA DOD SOURCES WERE ABSOLUTELY ESSENTIAL. WITHOUT THEM, WE SIMPLY COULDN'T HAVE MAINTAINED OPERATIONS ANYWHERE NEAR REQUIRED LEVELS. WHILE I AM GRATEFUL TO OUR SUPPORTERS IN CONGRESS WHO HAVE HELPED KEEP US IN BUSINESS BY BRINGING ABOUT THESE TRANSFERS, I REITERATE MY POSITION--THE ADMINISTRATION'S POSITION--THAT THE COAST GUARD SHOULD BE FULLY FUNDED WITHIN THE TRANSPORTATION APPROPRIATION. I CONSIDER IT CRITICAL THAT THE ENTIRE COAST GUARD BUDGET BE ACCOUNTED FOR IN FUNCTION 400, IN FISCAL YEAR 1991 AND THEREAFTER.

IN SUMMARY, OUR OPERATING EXPENSES BUDGET REQUEST ALLOWS US TO CONTINUE PERFORMING OUR TRADITIONAL MISSIONS AT CURRENT LEVELS. MINIMAL INCREASES ARE REQUESTED TO SUPPORT ADDED EMPHASIS IN CERTAIN KEY MISSION AREAS OR TO OPERATE NEWLY-ACQUIRED CAPITAL ASSETS.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS (AC&I)

THE FISCAL YEAR 1991 AC&I BUDGET REQUEST IS ONCE AGAIN LARGELY COMPRISED OF MULTI-YEAR PROJECTS TO ACQUIRE REPLACEMENTS, OR IMPROVE EXISTING CAPITAL ASSETS; A PARTICULAR EMPHASIS HAS BEEN PLACED ON IMPROVING THE CONDITION OF OUR DETERIORATING SHORE

PLANT. WHERE POSSIBLE, MAJOR PROJECTS ARE PHASED TO SPREAD COSTS OVER A NUMBER OF YEARS. MULTI-YEAR PROJECTS IN THE FY91 REQUEST INCLUDE THE FLEET RENOVATION AND MODERNIZATION (FRAM) PROGRAM FOR 378-FOOT CUTTERS, THE BUOY TENDER REPLACEMENT PROGRAMS, RENOVATION PROGRAMS FOR 210-FOOT CUTTERS AND BUOY TENDERS, THE MOTOR LIFEBOAT REPLACEMENT PROGRAM, PROCUREMENT OF HH-60J HELICOPTERS, AND CONSTRUCTION OF SORELY NEEDED FAMILY HOUSING UNITS.

NEW PROJECT STARTS FOR FY 1991 ACCOUNT FOR $125 MILLION, OR 29 PER CENT OF THE AC&I REQUEST. MANY OF THESE REPRESENT REPLACEMENT, RENOVATION OR UPGRADING OF EXISTING ASSETS. AMONG OTHER THINGS, THESE INCLUDE NEW BUOY BOATS, REPLACEMENT HELICOPTERS FOR DRUG LAW ENFORCEMENT, INFORMATION RESOURCES MANAGEMENT IMPROVEMENTS, AND NEW OR IMPROVED SEARCH AND RESCUE STATIONS IN VARIOUS LOCATIONS. OTHER PROJECTS, SUCH AS A VESSEL IDENTIFICATION SYSTEM, CONFIGURATION MANAGEMENT, THE NEW AIR FACILITY IN CHARLESTON, AND POLLUTION STRIKE TEAM EQUIPMENT, HAVE BEEN INCLUDED IN RESPONSE TO IDENTIFIED NEEDS OR REQUIREMENTS SET FORTH BY CONGRESS.

FINALLY, THE AC&I BUDGET INCLUDES A SMALL AMOUNT FOR PROJECT SUPPORT EXPENSES AND MINOR IMPROVEMENT PROJECTS ON WATERWAYS AND AT SHORE FACILITIES COAST GUARD-WIDE.

RESERVE TRAINING

THE COAST GUARD RESERVE PROVIDES TRAINED PERSONNEL FOR ACTIVE DUTY IN THE COAST GUARD IN TIME OF ARMED CONFLICT, NATIONAL EMERGENCY, OR NATURAL AND MAN-MADE DISASTERS. AS PART

OF THEIR TRAINING TO MEET THESE RESPONSIBILITIES, RESERVISTS SUPPORT THE ACTIVE DUTY FORCE IN THE PERFORMANCE OF PEACETIME MISSIONS, DURING NORMAL AND PEAK PERIODS OF OPERATIONS, AS WELL AS IN TIMES OF DOMESTIC EMERGENCIES. FOR EXAMPLE, RESERVISTS MADE IMPORTANT CONTRIBUTIONS TO THE COAST GUARD'S RESPONSE TO THE EXXON VALDEZ OIL SPILL, HURRICANE HUGO, AND THE SAN FRANCISCO EARTHQUAKE. THE FISCAL YEAR 1991 REQUESTED INCREASE FOR RESERVE OF $7 MILLION INCLUDES $4 MILLION TO INCREASE THE SELECTED RESERVE FORCE SIZE TO 12,700. THIS LEVEL WILL ALLOW THE RESERVE TO MEET 46 PER CENT OF ITS FULL MOBILIZATION REQUIREMENTS.

SUMMARY

WE IN THE COAST GUARD ARE EAGER TO BEGIN OUR THIRD CENTURY OF SERVICE TO AMERICA, FULFILLING OUR ROLE AS "GUARDIANS OF THE SEA" BY ENSURING SAFETY OF LIVES AT SEA, COMBATTING THE INFLUX OF ILLEGAL DRUGS, PROTECTING THE MARINE ENVIRONMENT, CONTRIBUTING TO NATIONAL SECURITY, AND DOING WHATEVER ELSE MAY BE NECESSARY AS THE NATIONS'S PRINCIPAL PEACETIME MARITIME OPERATING AGENCY. IN ORDER TO MAINTAIN OUR MULTI-MISSION CAPABILITIES AND RESPOND TO THE CHANGING PRIORITIES OF TODAY AND TOMORROW, THE COAST GUARD MUST HAVE THE NECESSARY EQUIPMENT, PEOPLE, TRAINING AND OPERATING FUNDS. THIS BUDGET REQUEST WILL MAINTAIN OUR CURRENT LEVEL OF OPERATIONS, AND ALLOW THE FLEXIBILITY TO RESPOND TO NEW AND EMERGING PRIORITIES.

I ASK FOR YOUR SUPPORT IN OBTAINING FULL FUNDING FOR THE COAST GUARD.

I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU OR THE OTHER MEMBERS OF THE SUBCOMMITTEE MIGHT HAVE.

ASSESSMENT OF THE COAST GUARD

Mr. LEHMAN. That was a very informative presentation, Admiral, and as usual you are a very capable witness.

Three years ago, in your first appearance before this Committee as a commandant, you indicated that the Coast Guard was well positioned for the future, with your missions in balance and your emphasis on your core missions. You also mentioned that your most critical problem was the shortage of personnel. What is your current assessment? How well is the Coast Guard positioned for the future, and to what extent has your shortage in personnel been alleviated?

Admiral YOST. Well, we are maintaining the current level of services, but we still need additional personnel. We have a continued emphasis on drug enforcement, and that is very personnel-intensive. We have the environmental protection needs, and they are going to grow significantly I think, out of the legislation that is currently being conferenced between the House and the Senate. And that growth is not reflected in this budget.

There are always new initiatives and seldom any reductions. And our aging vessels and shore plant continue to require more maintenance. We have restructured our recruiting forces. We have put more money into recruiting, so, recruiting is not a problem. We can recruit all of the people that we can afford. Right now, we cannot afford all the people that are authorized due to pay raise absorption. So, I need full funding just to hold my own.

Mr. LEHMAN. All in all, is the well-being of the Coast Guard better now than it was three years ago when you came on board?

Admiral YOST. I think it is. I think we are in better shape than we were three years ago. We certainly have a better budget than we had three years ago. We have slightly more people than we had three years ago, and I think we are at least as well trained, maybe better than we were three years ago.

PEACE DIVIDEND

Mr. LEHMAN. You have a small component on Defense during these so-called "Cold War" years; will the Coast Guard reap any peace dividend by spending less money on the hunt for Red October and all that stuff?

Admiral YOST. That remains to be seen, Mr. Chairman. Here is my concern: If, in fact, we do reduce the troop strength in Europe and pull back troops to this country, then in an emergency, we are going to have to deploy even more troops overseas. And one of the things that the Coast Guard is responsible for in defense is to stabilize our ports and to protect the ports for sending troops overseas. We will have even more ports now that will need Coast Guard port security than we have had before.

Mr. LEHMAN. No peace dividend immediately.

Admiral YOST. I do not see an immediate peace dividend, and I may see even a little growth in the need for the Coast Guard maritime defense zone mission as we pull our troops back to this country.

ADVANCEMENTS AND DISAPPOINTMENTS

Mr. LEHMAN. What is the most significant advancement made by the Coast Guard in these last three or four years and what was your biggest disappointment?

Admiral YOST. Well, I think our biggest advancement was getting the Coast Guard fully involved in the drug war, particularly in air interdiction. Four years ago, the Coast Guard had very little capability in air interdiction. Now, we are flying four E-2Cs, one of the most complicated weapons systems in the arsenal of this country. They are a $45 million weapons system. We are flying nine Falcon aircraft with F-16 intercept radars. We are flying a number of shore-based Aerostats along through the Bahamas and the Gulf of Mexico and the Caribbean. And we have five sea-based Aerostats underway in the Caribbean. That is a major, major increase in the Coast Guard's capability to keep drugs out of this country. So, that drug interdiction, particularly air interdiction, I am really, really pleased about.

As far as disappointments go, I do not think I have any big disappointments in the Coast Guard other than I am not younger and starting all over again.

Mr. LEHMAN. Join the club. [Laughter.]

DRUG WAR RESULTS

I know you mentioned the fact that there is a lot more activity as far as the drug program is concerned. I know you are pleased with the activities and your involvement; but what about the results? That question comes up later, but I thought I would ask you about it now.

Admiral YOST. Yes, sir. It is a good question and one that needs to be asked.

In the surface war against marijuana, we have reduced the marijuana trafficking across the Caribbean dramatically. Three or four years ago, there were two or three or four large loads of marijuana a week that came across the Caribbean in ships. Today, there is less than one large load a month that comes across the Caribbean. So, we have been very successful in the surface war against marijuana.

In the air war against cocaine, we are beginning to have an effect. It is a small effect to date. I think it is a signal of a larger effect to come, but one that I am not pleased with yet.

Mr. LEHMAN. So, the results have not been quite as pleasing to you as to your ability to get involved.

Admiral YOST. Well, I think that the results in the surface war have been super.

Mr. LEHMAN. You are talking about the air part.

Admiral YOST. The results of the air war have yet to come. And, although we are involved, that pleases me, but what really pleases me is that I am seeing for the first time in four years a downturn in the amount of cocaine shipped by air. I am seeing the smugglers having to find other ways to smuggle it. I am seeing it go up through the Mexican border and trucked across the Mexican border with California. I am seeing those kinds of things that means that I am making a big difference in the cocaine war and it is now up to the border patrol folks. It is their problem more than mine as I move it there.

Mr. **Lehman**. You sure changed the ground rules. In fact, you have changed it from the air to the ground.

Admiral **Yost**. Yes, we did.

PRODUCTIVITY INCREASES

Mr. **Lehman**. To what extent do you believe there has been an increase in the productivity of your nearly 44,000 military and civilian personnel?

Admiral **Yost**. Yes, there has been a large increase in productivity in the last four years. You remember, Mr. Chairman, we did two things very early on. We reorganized the field in the Coast Guard, eliminated two districts, took 500 people that were involved in the support of Coast Guard and put them in operational billets, on ships and airplanes.

We then reorganized our headquarters organization and we saved 220 billets there.

Mr. **Lehman**. How do you measure productivity in the Coast Guard as you would in, say, the automobile manufacturing industry, where it takes General Motors 5.1 man days to build a car and it takes Honda maybe 3.2 man days to build a car. Do you have anything like that to measure productivity?

Admiral **Yost**. No. I think that measuring productivity in the government has always been a problem. It has always been difficult, and it is very difficult to put figures on it. We can show that we are putting more ships at sea, more aircraft in the air, and we have not had to come back and ask for as many people that we normally would have had we not restructured our whole logistics chain.

Mr. **Lehman**. You gave us some data at the beginning on so much of a day in operating costs. You produced so much in saving so many lives and so many other things. For the record, could you give us some comparative data on how much better this year is than it was three years ago?

Admiral **Yost**. Yes, I will do that, sir.

[The information follows:]

The following table compares information on an average day in the Coast Guard for fiscal years 1987-1989:

	1987	1988	1989
Lives saved	16	16	12
People assisted	361	361	343
Value of property saved	$2.5M	$2.5M	$3.1M
SAR cases completed	154	154	143
Response to HAZMAT spills	23	23	25
Port safety boardings	43	43	83
Inspected commercial vessels	64	64	108
Seized lbs. marijuana	3,568	3,500	855
Seized lbs. cocaine	35	35	43
Marine casualty investigations	17	17	25
Deaths per 100,000 boaters	6.5	6.1	5.5

These numbers depict Coast Guard activity on an average day. Although they might be interpreted to indicate little change in Coast Guard "effectiveness", there is a danger of construing them as measures of productivity. Productivity is hard for us to measure. For example: Is the Coast Guard more or less productive in a year that we save fewer lives? This statistic reflects many uncontrollable variables: the volume of Search and Rescue cases, normally occurring at random; the numbers of boaters and boating hours logged by the public; weather conditions; the success of our boater education programs, as well as our success in saving lives.

Statistics used in this average day presentation are not all inclusive of Coast Guard activities. For example, the table shows a level of Marine Environmental Response (i.e., Hazmat spills), but the figure does not account for spill size or Coast Guard effort required for cleanup. Numbers are not shown for fisheries law enforcement or military readiness and the deterrent effects of law enforcement, civil penalties and criminal penalties cannot be measured.

Given the budget and manpower restraints in recent years, increased response requirements in one mission area, such as hazardous material spills, may cause us to reduce activity levels in other programs to free up necessary resources. Measuring productivity in a flexible scenario is difficult. We have enjoyed limited success in defining measures of effectiveness and efficiency for our multi-mission service and we continue to search for ways to measure productivity and improve performance.

FISCAL YEAR 1990 BUDGET STATUS

Mr. LEHMAN. Two years ago, when Congress reduced your fiscal year 1988 operating expenses budget request by $70 million in order to meet the Presidential and congressional funding levels established by the economic summit agreement, we were told that you had to close numerous facilities and reduce drug interdiction activities by 55 percent.

This fiscal year, you are faced with reductions of more than $34 million because of sequestration and emergency drug funding. According to your February 1, 1990 report on reimbursements from the *Exxon Valdez* accident, you have retained $10 million in reimbursements to offset fiscal year 1990 costs. To absorb the remaining cuts, Secretary Skinner told us you were making a 2.6 percent across-the-board reduction. What is your current operating situation? Will you really be able to operate making only a 2.6 percent reduction in your various activities, as indicated by the Secretary?

Admiral YOST. Yes. Instead of having a $10 million benefit from the Exxon affair, we feel we have had a $20 million benefit. In other words, we have taken $20 million of one-time Exxon money to offset this $28.4 million Gramm-Rudman cut. That only left us $8.4 million to make up. And we did that with a 2.6-percent reduction in just our maintenance accounts.

Mr. LEHMAN. Would you explain the apparent dramatic difference in the magnitude of your response to the fiscal year 1990 reduction compared to that of two years ago?

Admiral YOST. In 1988, it was primarily a problem happening late in the year that we just could not accommodate. Wherein this budget reduction happened early in the year and we had the $20 million of Exxon funds to help us offset.

Mr. LEHMAN. If the reduction is being applied across the board, why did you select this method rather than establishing program priorities? If it is not being applied across the board, what activities are being reduced?

[The information follows:]

The reductions that we applied to our maintenance accounts were prioritized and were not across the board. The lowest priority maintenance projects in the Vessel, Aircraft, Shore Facilities and Electronic accounts are being deferred until FY 1991.

In addition, replacement of non-mission essential parts is being delayed and we are drawing down our inventory levels where prudent. Essential maintenance necessary to continue our current level of operations, i.e., cutter and aircraft employment hours, is being accomplished.

We are aware that cutting maintenance mortgages the future, but the FY 1990 Appropriations Act prevented us from closing or reducing operating units. Instituting personnel cuts would not have produced savings for FY 1990 and would have reduced the most valuable resource we have . . . our people.

BREAKDOWN OF REDUCTION

Mr. **Lehman**. Please provide for the record a detailed breakdown of the $34 million reduction [maintenance, *Exxon Valdez* reimbursements, fuel, training, personnel, shipping hours by activity, aircraft hours flown by activity, et cetera.]

[The information follows:]

The $34 million reduction was absorbed from the following funding sources:

[In millions of dollars]

Fiscal year 1990 reduction sources:	*Amount*
Exxon Valdez reimbursable	$20.0
2.6-percent reduction in maintenance:	
Aircraft	3.5
Electronics	0.9
Shore facilities	2.0
Vessel	2.0
Subtotal	8.4
One-time reduction in procurement of aircraft spares which were prepurchased in fiscal year 1989	5.7
Total	34.1

DEFENSE MISSION AND FUNDING

Mr. **Lehman**. Mr. Coughlin.

Mr. **Coughlin**. Thank you, Mr. Chairman.

Admiral Yost, welcome.

Admiral **Yost**. Thank you, sir.

Mr. **Coughlin**. I want to compliment you on your tenure as Commandant. You have done a really splendid job for the service that you so effectively represent, and we are very grateful for your service to the Coast Guard and to the country.

Admiral **Yost**. Thank you, sir.

Mr. **Coughlin**. I know that in your testimony you indicated that all of the Coast Guard would be funded from Transportation. You would concede, I think, that the Coast Guard does have a defense function, however?

Admiral **Yost**. Very definitely, we have a defense function, sir.

Mr. **Coughlin**. And some of the equipment and some of the operations that you engage in are not all search and rescue. They pertain to having the Coast Guard be ready and be prepared to take its place as part of our defense forces.

Admiral **Yost**. Very true, sir. We have, as you know, Mr. Coughlin, memorandums of agreement with the Department of Defense, primarily, the United States Navy, on their funding certain weapons systems, providing us the spare parts, providing schools for our people and maintaining them and those kinds of things.

What has happened in the budget is above and beyond that memorandum of agreement that we have between the services, there has been money funded out of the Department of Defense appropriation, and that makes them very unhappy over there in DOD, as you can imagine.

"EXXON VALDEZ" COSTS AND REIMBURSEMENTS

Mr. COUGHLIN. This past year has certainly been one for natural disasters. You mentioned the cost associated with the *Exxon Valdez*, which you indicated was in the area of $20 million. Is that correct?

Admiral YOST. Yes, sir.

Mr. COUGHLIN. Can you tell me what the Coast Guard's role and the associate costs were in connection with Hurricane Hugo and the San Francisco earthquake, just so we have those on the record?

Admiral YOST. I may have to do that for the record, but I would like to explain how we got the $20 million from Exxon. We billed Exxon for the full use of all the Coast Guard facilities and people that were used in that cleanup. When in reality, we were budgeted to operate those facilities and equipment. So, when we billed Exxon for it, to a certain extent, we got paid twice: We already had it in our budget, and then we billed Exxon not just the marginal extra cost of doing that work for them, but also the full cost of the equipment. That gave us $20 million. And the Congress directed that we bill them in that manner and that gave us the $20 million extra that we were able to offset the Gramm-Rudman-Hollings cuts. And that was at the direction of Congress.

Mr. COUGHLIN. Has Exxon contested any of your billings?

Admiral YOST. They have not. Of those billings, they have not contested those billings.

HURRICANE HUGO AND SAN FRANCISCO EARTHQUAKE

Mr. COUGHLIN. Can you give us a ball park of the costs associated with Hurricane Hugo and the San Francisco earthquake and what your function was there?

Admiral YOST. I am going to have to provide the cost for the record. Our function in Hurricane Hugo was we were the first people on site, and we had the first parties ashore to preserve the peace at St. Croix when armed mobs were pillaging and breaking into homes after the hurricane.

In the San Francisco earthquake it was, again, an emergency response, both maritime and shoreside, as we flew in equipment to help the people that were devastated by that earthquake. We provided a lot of emergency marine transportation. And there was lots of aids to navigation damage that we had to repair because of the earthquake: lighthouses and lights.

[The information follows:]

Hurricane Hugo costs were $360,000 in fiscal year 1989 and are projected to be $2,200,000 in fiscal year 1990 and $1,500,000 in FY 1991 for a total of $4,060,000. $3,000,000 of those costs were for damage to Coast Guard facilities and Aids to Navigation. The remaining costs of $1,060,000 were associated with operations in support of hurricane recovery.

Costs associated with the San Francisco earthquake were part of the Coast Guard general operating and maintenance costs and have not been separately identified. The support provided during and after the earthquake were within normal Coast Guard missions and funded from the Operating Expenses appropriation. Activities included search for survivors from the Collapse of a section of the San Francisco-

Oakland Bay Bridge, helicopter transfer of officials for damage assessment, and monitoring by Vessel Traffic Service of increased vessel traffic due to the change in commuting patterns. Coast Guard facilities did not experience any reportable damage from the earthquake.

Mr. COUGHLIN. How many people were involved in the St. Croix operation?

Admiral YOST. We had about five, one ship and about four patrol boats. And I am guessing in a ball park figure, we are talking about 250 people, 300. We flew in some aircraft.

DRUG WAR FUNDING

Mr. COUGHLIN. Since President Bush has taken office, the overall drug budget has increased by about 69 percent, or $10.6 billion. In my capacity on the Select Committee on Narcotics Abuse and Control, of which I am also vice chairman, I strongly support increased resources to combat the problem. Can you effectively spend your 10 percent increase? And before I say that, let me thank you for your cooperation with the Subcommittee on Narcotics Abuse and Control, and we appreciate your assistance and that of Commander Jim Underwood and Lieutenant Anita Abbott for their help in recent hearings in Florida.

Admiral YOST. Thank you.

Mr. COUGHLIN. Can you effectively use your increase in drug funding?

Admiral YOST. Well, the drug funding increase this year is about 8 percent. That is probably a real increase of about 5 percent. So, a real growth of 5 percent; that is 8.4 percent increase less about 3.3 percent inflation, we can use it very effectively. It is going to fund the new Aerostats. It is going to restore members of the crews of the 378s as they come out of FRAM, increase the HH 60 flight hours. We have got to operate the new H-60s down in the Bahamas. So, the answer is yes. I could give you a litany of things that we need it for, but, yes.

AEROSTATS

Mr. COUGHLIN. Let me just touch on two things in particular. Aerostats were recently reported in considerable difficulty. I would be concerned are we throwing good money after bad in connection with those Aerostats?

Admiral YOST. Well, the Aerostats appear, looking at the amount of time they fly or the amount of downtime they have as not being as effective as one might think. On the other hand, the alternative to an Aerostat is an E2C airplane. It is a $45 million airplane. It flies for 4 hours at a time. I only get 1,000 a year out of them. I have four of them. So, I have 4,000 hours a year out of those airplanes.

An Aerostat is a $10 million operation. It stays airborne for long periods of time. It does not depend on fuel. And it is very, very effective in maintaining a radar airborne against the air—and if I did not have those Aerostats, I would have to double, triple, quadruple the number of E2C aircraft at $45 million a copy.

Mr. COUGHLIN. Do you have those or does the Customs Service have them? Or do you both have them?

Admiral Yost. Well, we got two and the Customs Service got two. And that was dictated by Congress. Later on, the Administration assigned (and Congress approved) all those aircraft to the United States Coast Guard. So, we are operating all four.

In addition, we are converting a C-130 to be like an E2C, only it is a 12-hour airplane, but we are putting an E2C's innards in it. And that is about a $40 million operation doing that.

Mr. Coughlin. How about the tether cable problem that they are experiencing?

Admiral Yost. We have had some tether cable problems and I think they have been the contractor's problem. And he is standing good for it. Of course, that does not help us keep a radar in the air. But, at least, it comes under his contract to pay for it.

Mr. Coughlin. The contractor is taking care of the cost of that?

Admiral Yost. I will provide that for the record, but I am sure that is so. I have got some statistics here. The land-based Aerostats, their downtime for maintenance was only for CARIBALL I, the first one, was only 2 percent. The on-station availability was 63 percent and that means they were down for weather for 35 percent of the time.

The sea-based Aerostats, they had a maintenance downtime of only 4 percent, but they were down for weather another 6 percent, giving them an on-station availability of 90 percent of the time. Compared to a four-hour airplane, that is really, really a great buy. So, when somebody bad-mouths the Aerostats, they do not understand what the alternative is: It is flying an airplane.

[The information follows:]

The contractor has not yet paid for the tether or the lost balloon in the only accident the Coast Guard has experienced with a Sea Based Aerostat because the investigation to determine responsibility for the accident has not yet been completed. The Land Based Aerostat accident that took place in Texas is the responsibility of the contractor since the system *had not* been accepted by the Coast Guard when the accident took place.

FAST COASTAL INTERCEPTORS

Mr. Coughlin. Let me just ask one other line of questions. We will have follow-up questions, I am sure, on these things from the committee.

Admiral Yost. Yes, sir.

Mr. Coughlin. When the Inspector General was here, he indicated that some of your fast boats are beginning to come apart at the seams, I guess would be the right way of expressing it. Is that correct?

Admiral Yost. Not really. If I could comment on Inspector Generals. Inspector Generals' jobs are to find problems. And we know in this world there are always lots of problems to be found, and they are fairly successful at doing that.

My job is to find solutions. And I have been fairly good at doing that. These boats were an off-the-shelf boat bought so that we did not have a long contracting problem. They were built to be run for just a few hours a week or a few hours a year. And we are running them five or six or seven times the amount of hours that any private owner would run them. Because of that, we have seen some cracks develop in them. They were not built to military specs or to

Coast Guard specs. And so, the cracks that are developing in them, we have been successful so far in welding back together. We have not lost much time. The cracking is observed between the joints and the longitudinals and the cross members. The full extent of the cracking is not known, since much of the bilge area where the cracking has been identified we cannot get at because of the permanent deck plates in this thing.

The cracking has contributed to concerns about the continued viability of this resource through its planned service life of five years. We are not sure we are going to get five years out of them. A useful service life has been, we estimate, has been reduced maybe to four years. So, we are on about the second year of their use. We are probably still better off than going out on a separate Coast Guard contract with a Coast Guard design to build a boat when there are people in Florida that have been building these boats for years.

Mr. COUGHLIN. How many of them do you have?

Admiral YOST. Five. We bought four and we got a gift from another agency that had one that was not using it.

Mr. COUGHLIN. I believe the Inspector General testified that only one seizure had been made directly with these boats. Do you really need them?

Admiral YOST. Well, we have only made I think it is one seizure. They may have been involved in another one. One or two. Let me get the statistics on that.

Mr. COUGHLIN. They are fun, I know. But do you need them?

Admiral YOST. They are a fun boat, that is why they sell a lot of them in Florida, and the drug smugglers use a lot of them as well to run cocaine and some marijuana across the Florida Straits there.

We have seized 241 kilos of cocaine, arrested two people onboard and seized the boat. With other seizures, we have also seized two vessels in cases that did not require a fast boat. In other words, we could have done it with a 41-footer. But the fast boat had the capability of doing the fast work as well.

We are taking a look at whether that at the end of five years we will replace these boats. I have not come in the budget for replacement. They are within two years of their service life. I am still evaluating it. And I want to talk to my counterpart over in Customs, the Commissioner of Customs, because they operate some as well, and see if we do not have them, what hole we leave and can we afford to leave it.

Mr. COUGHLIN. It is correct that there was only one seizure?

Admiral YOST. Yes, sir. But the deterrence that those things give you. I mean if the smugglers knew that there were not any fast boats out there and they could outrun anything that is there, it would certainly make them a lot braver than they are now. So, it is hard to measure the deterrence, and that is why I have got to sit down with the Commissioner of Customs and my own staff and see if we really want to replace these boats at the end of their service life. And that will probably be another Commandant to make that decision. I have not made it.

Mr. COUGHLIN. Thank you, Mr. Chairman. I have other questions, but I yield this time.

Mr. LEHMAN. Mr. Wolf?

Mr. WOLF. Thank you, Mr. Chairman.

I want to welcome you, Admiral, and your other staff and thank you for the great job the Coast Guard does. I have a couple of questions. Following up on what Mr. Coughlin said, my sense is that one of the agencies, either Customs or Coast Guard ought to have the fast boats, but not both. And I bet the next Commandant—I may be wrong—will decide not to have them. It is pretty hard to justify just one seizure for all those boats and the number of men and women that you have operating the boats. How many men and women operate the fast boats that you have overall? Maintenance, operation?

Admiral YOST. There is a four-man crew, but I would guess we have another six in the background maintaining them. It is probably going to take 10 people to maintain each boat. We have got five boats, you got 50 people.

Mr. WOLF. Fifty people.

[The information follows:]

A further review of manning for the Fast Coastal Interceptor (FCI) program revealed that 33 billets were identified for FCI operations and maintenance.

Admiral YOST. And I do not disagree with you that we need to look at it in the context of the drug czar, whether we need two agencies running these boats, whether we need any boats. We will look at that. You can probably guess what my reaction will be anytime you put something in the maritime area; I want to run it. That is my job. So, if that came to—we will have to decide that within the Administration and then propose it up here in the budget context.

Mr. WOLF. Well, hopefully, the two committees can get together. I know there is always great jurisdiction battles over these issues, but I really do not think it makes any sense to have both agencies, Customs and the Coast Guard, operating the fast boats. And I did not know until Mr. Coughlin asked the question that you have only had one seizure. We have Customs up before the other committee, today. I am going to ask them how many seizures they have had. Maybe you can make a justification for no fast boats, although I do think you make a point that the fact that some law enforcement agency has and does provide some deterrent with regard to the people that are on the other side using them; but I do not believe we can justify having them.

Admiral YOST. I could also bootstrap myself into more seizures by saying, these boats have been involved here and involved there. But I am talking about the seizure that was actually made by the boat. So, when you ask somebody else that question, better bore in and talk about what was actually done by the boat. I could probably give you smoke and mirrors here that you would not believe, so, I will not give them to you.

Mr. WOLF. Well, Admiral, you are an honest man and a very ethical and moral man and so we know you would not do that. I appreciate that.

Admiral YOST. Right.

Mr. WOLF. Life is too short, Admiral.

Admiral YOST. That is right, sir. You have to shave every morning.

DRUG INTERDICTION FIGURES

Mr. WOLF. The last several years I have asked you about the amount interdicted. Has the amount of drugs that have been interdicted, have the figures gone up or have they gone down or have they been relatively the same?

Admiral YOST. The amount of seizures in marijuana has gone down drastically. That is an indication that we are being very successful. That means they are not smuggling as much. Seizures in cocaine have gone up drastically. That means they are sending a lot more. So, it is not a direct—it is very hard to measure your success by seizures, and that even includes fast boats. To say, how many seizures have you made? Does that measure the success of the weapons system? Probably not.

How many seizures have you made of cocaine? I have made a lot. Does that mean I am having a great effect against cocaine? Not really, not yet. It means they are sending a lot. So, it is a mixed bag here.

Mr. WOLF. What percentage of the drugs coming from South America are we interdicting?

Admiral YOST. That is what has always been questioned and we always end up by saying we do not know. And every time I make a guess at it, some of my colleagues in the Administration say, where did you get that number? We do not agree with that.

So, I do not make guesses anymore. I do not know how much is being sent.

Mr. WOLF. That is very difficult, though, for the Congress that has to appropriate this money. I think you all do a good job and I think the Customs do a good job and clearly DEA and FBI, but would it be better to take some of this money that is being used for fast boats and put it into drug education in kindergarten, first grade, second grade, third grade in a DARE program? Would it be better to take some of this money and put it into rehabilitation?

Clearly, we need an aggressive law enforcement effort. We cannot withdraw it. I think everyone is opposed to legalization of drugs. Clearly, that is absolutely the wrong way to go. You have got to have some enforcement, but I just wonder. Someone ought to be able to quantify and let us know what we are doing. What are the numbers that you hear thrown around?

Admiral YOST. Okay. Let me give you some numbers. I do not know how meaningful they are. Our coke seizures are up 500 percent in 1990. I do not know whether that is significant or not. Our fast boats seized $24 million worth of cocaine. That is enough to buy the whole fleet two or three times. So, maybe that is a good buy.

Mr. WOLF. Of course, we do not sell that, though. That is not a fair way of putting it.

Admiral YOST. No. None of these figures are fair. The President has decided that he wants to put more money in education, in the DARE program, in those kinds of programs, rehabilitation programs. And he has in this budget put more money in it. He has leveled out the money that he has put in interdiction. So, my interdiction funds have not grown dramatically. They have hardly grown at all. And so, the drug czar agrees pretty much in principle with what you have just said. The Administration is doing that. They are leveling out the amount of money spent on interdiction and increasing it in education.

What I see is that addiction rates follow availability. There is no country in the world with high addiction that does not have high availability. Availability is a function of interdiction. So, we need good interdiction in order to drop the availability down so that the demand equation can begin to work. So, I do not know what the right level is. The drug czar and the President have given you a budget that they think is the right balance.

DRUG INTERDICTION RESOURCES

Mr. Wolf. What percentage of the manpower of the Coast Guard is dedicated to the war on drugs?

Admiral Yost. I say about 26 to 27 percent of everything the Coast Guard does is involved in drug interdiction. That is manpower, capital investment and operating expense. That is a good rule of thumb. And that is up from about 10 percent or 9 percent 10 or 15 years ago.

DRUG CONVICTIONS

Mr. Wolf. Last year you provided some figures with regard to convictions. It said basically 50 percent of those who are arrested for drug violations were actually convicted. I think it was 248 to 428. Have your conviction rates increased?

Admiral Yost. I am going to have to provide that for the record. It is probably a Department of Justice figure that I will have to get because I do not know what those conviction rates are. I had them last year. I remember having them and I did not bring them with me this year.

Mr. Wolf. If you could do that, I would appreciate it.

Admiral Yost. Yes.

[The information follows:]

Conviction rates have, essentially, remained steady. For Calendar Year 1988 (latest year full figures are available), 241 persons were arrested. Of those, the number of persons convicted was 113, for a conviction rate of 47 percent.

DRUG ENFORCEMENT ACTIONS

Mr. Wolf. What is the Coast Guard's position, now? We had talked last year about the suspension of boating or driver's license for alcohol or drug-related activities. And there were several states that were moving in that direction. Any more trends with regard to this or more states moving or what is your feeling with regard to the idea of suspending that?

Admiral Yost. Again, I do not have any figures on those trends. You know, this is the first year the Coast Guard has become involved in testing boaters for alcohol abuse. We now have a requirement in law to if we see a boating accident, or see a boat operating erratically, we now have the authority to go aboard and give a breathalyzer test to the operator of that boat.

Mr. Wolf. Well, have you spoken to Director Bennett with regard to the possibility of giving you the ability to seize those boating licenses and take them away?

Admiral Yost. Well, zero tolerance did that to some extent. The operators are not licensed unless they are of larger vessels, but the recreational boats are not licensed.

Mr. Wolf. But I mean are they not mostly licensed through their states?

Admiral Yost. The boats have numbers assigned to them by the state, but the operator is not licensed. And that has been the complaint. A 10-year old kid can go out and operate a boat in the waters of the United States without any license or training.

Mr. Wolf. What happens when you are in the waterways down in Florida, let's say off Vero Beach and you find somebody 27-years old using drugs.

Admiral Yost. In the boat?

Mr. Wolf. Do you fine them?

Admiral Yost. The boat is subject to seizure at that point. And if it is seized, it then may be forfeited if we find drugs on board the vessel. Now, if the person is intoxicated, drugs or alcohol, but no drugs are found on the vessel, then the vessel cannot be seized, but the cruise or the trip can be terminated and the boat towed into the nearest dock and tied up. And then we would proceed against the operator under the new law for operating while intoxicated.

Mr. Wolf. That is done now?

Admiral Yost. Yes, sir. It is done. We have the authority to do it. We like it a lot better when the state or local police do it because there is usually a state law on intoxicated boaters. And we would rather the state do it. But if they do not do it, the Coast Guard now has federal standards of intoxication. We can use those if the state does not have such a standard.

COAST GUARD AND CUSTOMS SERVICE COOPERATION

Mr. Wolf. Okay. I guess we could go on and on about this. One last question is: Do you feel that the cooperation level between Customs and Coast Guard and all the agencies is a lot better than it was, say, three or four years ago?

Admiral Yost. I think it is several orders of magnitude better. And part of the reason for that is the previous Commissioner, Mr. Von Raab, went to extraordinary lengths to help pull the Coast Guard and the Customs Service together. And then he was relieved by Mrs. Hallett who has followed in those footsteps and done an outstanding job. And I think the Coast Guard has worked with Customs very closely. I think it is orders of magnitude better, Mr. Congressman.

Mr. Wolf. Is that because of Secretary Bennett?

Admiral Yost. I think the Commissioner of Customs and the Commandant found that the will of Congress was that we had better get along and make this thing happen and quit having turf fights or we are going to get our heads knocked together. So, we did. I think the Administration felt the same way. It forced us to get together and make it work and that was very helpful.

CIVILIAN PERSONNEL LEAVE SHARING

Mr. **Wolf**. Shifting to just two other points. The Chairman, Mr. Lehman, and I worked on legislation to bring about leave sharing whereby when an individual was perhaps ill, dying of cancer or maybe has a major heart attack and they run out of vacation time, has the Coast Guard implemented this pretty aggressively? The leave sharing program?

Admiral **Yost**. We have, sir.

Mr. **Wolf**. Can you tell me a little bit about it? How many people used it last year?

Admiral **Yost**. I am going to have to do it for the record, sir. I do not have it here.

Mr. **Wolf**. I think how many people used it would be kind of interesting because you may be using it well and yet it may not be as well known. Do you have a formal program to get this information out to everybody? If you could give us a good track on that?

Admiral **Yost**. I will give you a good report for the record. May I just on your last question? I am just thinking about the turf fights. You know, one of the things that started the turf fights was some legislation that I think was not good law. And as you talk about deciding whether Customs or Coast Guard operates all the fast boats, that kind of thing, that is the kind of legislation that can cause turf fights. I think that would be better left to the Administration to decide, but that is gratuitous.

[The information follows:]

Twenty-two Coast Guard employees were beneficiaries under the leave-sharing program last year. Approximately 300 employees donated their leave to fellow workers. Needs supported ranged from car-accident victims, heart attack and cancer patients, to extended care for a stricken child or spouse. Both managers and employees have enthusiastically supported the program.

ALTERNATIVE WORK SCHEDULES AND JOB SHARING

Mr. **Wolf**. No, I tend to agree with you there. I think sometimes Congress micromanages a little bit too much in those areas. The problem becomes that you get political appointees who come in and they have a very short tenure. They stay for a year or two and they move on. They do not really understand what is happening and before they know it, they have been kind of taken in. And I think you did not have very much leadership for about two or three years there and there was a lot of fights. And I think the American people expect their government to cooperate and work well and sometimes it means you have to give up a little jurisdiction. Other times it means you may gain it; but I just think it is unseemly and unbecoming for federal agencies to be harassing and haggling over these things when, actually, the American people are concerned about this issue and want to see something done.

I am really pleased that you all have worked it out. I think there for that year or two it was very touchy. And frankly, I do not believe you were the Commandant of the Coast Guard when most of that was actually going on.

Have you looked at, Admiral, the possibility of implementing other programs with regard to your civilian and military employees with regard to alternative work schedules and job sharing? How many civilians do you have working for the Coast Guard?

Admiral YOST. We have about 5,000 civilians in the Coast Guard. We have looked at all of those programs. You know, we were the leader in the alternative work week schedule several years ago when we went to a four-day, ten-hour-a-day work week. We spent over a year at that, maybe it was two year, and then gave it up because it just caused us too much problems.

Mr. WOLF. How about the opportunity, have you looked at job sharing whereby two people, let's say one person just had a child and would like to work only 20 hours a week for a couple of years and another person, maybe their dad is ill, and they want to spend some time? Have you looked at the job-sharing possibilities?

Admiral YOST. Yes, we have. And how much we have done of it, I am going to have to give you for the record. We have looked at it. It is available. The employees know it. But how much we have actually executed, I do not know. Flex hours is something we do have in place now.

[The information follows:]

Our policy is to permit job sharing throughout the civilian workforce whenever possible; however, few requests have been made. We currently have two job sharing situations in place—one in Alameda, California, and one in New York City.

Mr. WOLF. Under Secretary Lewis, I did not believe that DOT used flex time. Flex place? Do you mean people could work at home? Is that what you are saying?

Admiral YOST. No. Flex time where they can come in. We have a set of core hours that are about six hours and then they can put their other two on either end.

Mr. WOLF. That is good. I did not know that DOT was taking advantage of that.

Admiral YOST. I cannot talk about DOT. I know Coast Guard is. I know DOT has this job-sharing because that is done in the Secretary's office, itself.

Mr. WOLF. If you could look at the possibility of maybe creating a pilot program for one year whereby there would be a number that your employees could call and they could, if somebody did want to work 20 hours a week, that there would be a central location. Right now, in many agencies, you can do it, the law allows it, but you have got to scout around and find that other person. And sometimes the other person could be in the next office or the next building. If you could look at that.

Admiral YOST. We will, sir.

Mr. WOLF. Maybe you could have somebody from the Coast Guard come on up and just tell me, rather than burdening the committee with all the material on the record.

Admiral YOST. I would like to do that. I would like to have somebody come up and talk to you and your staff.

COAST GUARD ACADEMY EDUCATION

Mr. WOLF. The last thing is the other day—and this is not meant as criticism, I can assure you. I just ask you to look at it.

The other day a constituent approached me and we were talking about the whole problems with regards to math and science. We in the United States are falling behind many of our competitors. The fact is if you look, and I do not know how it is at the Academy, Coast Guard Academy, but if you look at the other Academies, math and science and engineering is being de-emphasized. The Air Force Academy, the figures are really shocking, the number of non-engineering students. The same with regard to the Naval Academy and West Point. More political science majors and things like that. I believe that in your area, clearly, engineering and math and science and physics are absolutely critical.

The one question I want to know what is the Coast Guard Academy doing in that area and, secondly, someone told me that there was a Coast Guard coloring book out. And I have not seen it, so this may not be accurate, where the person in the coloring book says something to the effect about a math problem. And they said, "Well, we all have problems with math. And that is not very important." I find it hard to believe, but they said they saw it. And they are supposed to send that to me. And I think that the more math and science and physics and chemistry that we have, because when you look at the 8th grade, 9th grade, 10th grade scores, we are falling so far behind other countries that at sometime we may consider not to be necessarily very prominent. So, if you could look into that and just let me know. But, secondly, what is the curriculum with regard to your officers at the Coast Guard Academy?

Admiral Yost. The Coast Guard Academy has the highest ratio of applicants to entrants for colleges whose SAT scores average over 1200. We were picked by USA Today, as you may have seen, as the most picky college in the United States.

Our SAT requirements are over 1200. On the other hand, when I was a cadet years ago, there was one course of study. And that was a very tough engineering course of study. There were no electives. But in order to compete with other colleges and with the other service academies, we gradually went to several courses of study. We have government. We have political science. We have management. We have oceanography. We have engineering. I see very few students who start in management transfer to engineering, but I see a lot of students who start in engineering who cannot make the grade in engineering change their course content over to management. So, we have, as the other academies do, multi—what do we call them? Tracks, I guess. And we have to do it to compete or we could not get people coming to the Coast Guard Academy.

Mr. Wolf. This is not a debatable issue. All the data and the President's group down in Charlottesville met with all the governors and the goal for the year 2000 in math and science and physics. The Japanese attend school 240 days a year; American students attend 180 days a year. Their school day is longer than ours, much more emphasis on math and science and physics. I would like to ask you: Is it appropriate for the academies, the Air Force Academy, the Naval Academy, West Point and the Coast Guard Academy at this very critical time when the number of patents filed by the United States is dropping and the numbers filed by the Japanese are increasing, and we are in such a competitive global situation, do we really need political science majors in the Coast Guard? I was a political science major. I am not attacking it. But do we really need the Coast Guard to offer a political science major? Do we really need history majors? I think it is okay to have a history minor and a political science, but ought we not be emphasizing the engineering and oceanography and math and science and physics?

Admiral Yost. I think we should be, sir. And I misspoke myself. We have no political science major at the Academy.

Mr. Wolf. Okay.

Admiral Yost. We do have a government major.

Mr. Wolf. That is just as bad.

Admiral Yost. That may be as bad. I do not know.

Mr. Wolf. Can you give me a breakdown?

Admiral Yost. I will. Let me give you a list of majors for the record, the number of people, graduates of each major, percentagewise.

Mr. Wolf. And if you could show me the number of graduating in the class of 1989, let us say, '88, '87, '86, '85, '84, '83, '82, '81, down to maybe '79 so we can get some trend. How many engineers were there in the Class of '79 versus the Class of '89. If the figures show what I think it may show, could you take a look at the curriculum? If our great need is in math and science and oceanography and chemistry and biology and physics, is it really appropriate—if a person wants to become a government major—that he or she attend a mlitary academy at tax payer expense? I have five children. One is a government major, so I am certainly not discriminating against that. I think we need people in the Coast Guard who have a great understanding of government, but you also take people out of ROTC and different things like this, people who graduate from college and go to become officers. Could you look at it and see if the figures show a declining scientific background as to maybe the Academy ought to be reevaluating that?

Admiral Yost. Yes, sir, I will. And also, I think I will refer your question, if you will allow me to, to the Congressional Board of Visitors when they come up once a year and tell them of your concern. And I share that concern.

[The information follows:]

The following tables provide Coast Guard Academy graduate information by major and percentages for the years 1979 through 1989. Tables listing core required courses and math courses required by certain majors are also included.

11 Year Graduation History

	1979		1980		1981		1982	
GRADUATES	216		154		160		162	
ENGINEERING								
Civil	23	10.6%	9	5.8%	19	11.9%	26	16.0%
Electrical	17	7.9%	12	7.8%	16	10.0%	9	5.6%
Marine	14	6.5%	10	6.5%	14	8.8%	23	14.2%
Ocean	21	9.7%	16	10.4%	17	10.6%	15	9.3%
Total	75	34.7%	47	30.5%	66	41.3%	73	45.1%
TECHNICAL								
Chemistry		0.0%		0.0%		0.0%		0.0%
Physical Sci	16	7.4%	13	8.4%	6	3.8%	5	3.1%
Applied Sci		0.0%		0.0%		0.0%		0.0%
Marine Sci	30	13.9%	13	8.4%	15	9.4%	16	9.9%
Mathematical Sci	20	9.3%	32	20.8%	25	15.6%	14	8.6%
Math & Comp Sci		0.0%		0.0%		0.0%		0.0%
Total	66	30.6%	58	37.7%	46	28.9%	35	21.6%
TOTAL Eng & Tech	141	65.3%	105	68.2%	112	70.0%	108	66.7%
GOVT & MGT								
Government	30	13.9%	23	14.9%	11	6.9%	22	13.6%
Management	45	20.9%	26	16.9%	37	23.1%	32	19.8%
Total	75	34.7%	49	31.8%	48	30.0%	54	33.3%

	1983		1984		1985		1986	
GRADUATES	163		194		191		141	
ENGINEERING								
Civil	30	18.4%	29	14.9%	37	19.4%	20	14.2%
Electrical	23	14.1%	23	11.9%	26	13.6%	11	7.8%
Marine	20	12.4%	26	13.4%	32	16.8%	20	14.2%
Ocean	12	7.4%	19	9.8%	8	4.2%	6	4.3%
Total	85	52.1%	97	50.0%	103	53.9%	57	40.4%
TECHNICAL								
Chemistry		0.0%		0.0%	7	3.7%	6	4.3%
Physical Sci	13	8.0%	5	2.6%		0.0%		0.0%
Applied Sci		0.0%		0.0%		0.0%		0.0%
Marine Sci	14	8.6%	30	15.5%	26	13.6%	26	18.4%
Mathematical Sci	12	7.4%	18	9.3%	15	7.9%	25	17.7%
Math & Comp Sci		0.0%		0.0%		0.0%		0.0%
Total	39	23.9%	53	27.3%	48	25.1%	57	40.4%
TOTAL Eng & Tech	124	76.1%	150	77.3%	151	79.1%	114	80.9%
GOVT & MGT								
Government	18	11.0%	14	7.2%	24	12.6%	17	12.1%
Management	21	12.9%	30	15.5%	16	8.4%	10	7.1%
Total	39	23.9%	44	22.7%	40	20.9%	27	19.1%

11 Year Graduation History (cont)

	1987		1988		1989	
GRADUATES	132		161		165	
ENGINEERING						
Civil	35	26.5%	23	14.3%	38	23.0
Electrical	9	6.8%	25	15.5%	19	11.5
Marine	15	11.4%	18	11.2%	22	13.3
Ocean		0.0%		0.0%		0.0
Total	59	44.7%	66	41.0%	79	47.9
TECHNICAL						
Chemistry		0.0%		0.0%		0.0
Physical Sci		0.0%		0.0%		0.0
Applied Sci	18	13.6%	11	6.8%	7	4.2
Marine Sci		0.0%		0.0%		0.0
Mathematical Sci	17	12.9%		0.0%		0.0
Math & Comp Sci		0.0%	23	14.3%	19	11.5
Total	35	26.5%	34	21.1%	26	15.8
TOTAL Eng & Tech	94	71.2%	100	62.1%	105	63.6
GOVT & MGT						
Government	19	14.4%	25	15.5%	26	15.8
Management	19	14.4%	36	22.4%	34	20.6
Total	38	28.8%	61	37.9%	36	36.4

Regardless of their major, all graduates are strongly grounded in mathematics and science. All graduates must complete the following math and science core courses:

1112	Introduction to engineering Design (non-engineering majors)
1114	Applied Engineering Design (engineering majors)
1320	Introduction to Electrical Engineering
1461	Basic Naval Architecture
3111	Calculus I
3117	Calculus II
3213	Probabilities and Statistics **
5102	Chemistry I
5106	Chemistry II
5262	Physics I
5266	Physics II
6112	Nautical Science I
6214	Nautical Science II
6316	Nautical Science III
6418	Nautical Science IV
7102	Foundations of Computer Science

**3357 (Probability and Statistics Applied) is optional

This chart shows the math courses which are required for certain majors.

	Civil Eng	Elec Eng	Marine Eng	Marine Sci	Math/Comp Sci	Management	Government
Calculus I	X	X	X	X	X	X	X
Calculus II	X	X	X	X	X	X	X
Probability & Statistics	X		X	X		X	X
Prob & Stats Applied		X			X		
Differential Equations	X	X	X	X	X		
Multivariable Calculus	X	X	X	X	X		
Additional Math Electives						X	

The following is a listing of the members of the Coast Guard Academy Board of Visitors:

U. S. COAST GUARD ACADEMY

BOARD OF VISITORS

Representative Walter B. Jones, D-NC

Representative Robert W. Davis, R-MI

Representative Billy Tauzin, D-LA

Representative William J. Hughes, D-NJ

Two more Representatives to be appointed.

Four Senators to be appointed.

Mr. **Wolf**. I thank you. Let me just end with this. I really do want to convey that I think you and your staff and your group, are doing an outstanding job and just keep on. I think you have made quite a contribution. There is a sense of pride and the spirit that you all have. And it is kind of humorous for me to see how aggressive you are sometime in defending your turf. And I think that is not bad. I think it is good to see people that care very deeply. So, I do want to congratulate you for the job you have done.

Admiral **Yost**. Thank you, sir.

Mr. **Wolf**. Thank you, Mr. Chairman.

Mr. **Lehman**. If you could count political science as part of your science majors, then you would have a better statistic.

Mr. Mrazek?

DRUG INTERDICTION FUNDING

Mr. **Mrazek**. Thank you, Mr. Chairman.

I certainly do not want to put you in the middle of a discussion that might involve more of the partisan aspects of political science, Admiral Yost, but I was just curious as to a statement that you made a little earlier which I may have mis-heard which reflected the fact that your budget for 1990 is static when it comes to interdiction efforts because the czar has determined that prevention and education programs are more important. Is that what you said?

Admiral **Yost**. I said something very close to that. That the czar and the President's budget reflects that we are going to keep the interdiction effort fairly level while we grow in the demand area.

DRUG INTERDICTION FIGURES

Mr. **Mrazek**. Well, I would like to point out that I think based upon statements that the czar of all drug programs has made with respect to prevention and education, some of which were completely asinine in my view in suggesting that in fact if he had to make a choice of policy when it comes to interdiction would be the choice he would make. And I think it is clear that President Bush, although none of the resources that are really necessary to deal with at-risk kids in this society from a prevention and education standpoint are being spent. At least there is a recognition on the part of the President that there are ways to identify fairly early the kids who themselves are the victims of child abuse or are learning disabled or whose parents are themselves drug or alcohol abusers who are clearly the most at-risk kids to turn to drugs. And on the firing line, there has been a clear demonstration that prevention and education could work.

I would like to go back to an answer you gave me to a question either a year or two years ago. I cannot recall now. But it was in reference to asking for your assessment of percentage of cocaine that you thought was actually interdicted in a given year. And you said it was very difficult to quantify, but that to the best of your ability to make that assessment, you thought it was around 3 percent at that time.

And I am just curious if you felt you could make an assessment again today based upon performance in 1989 and I did notice that you indicated that there was an increase of 500 percent in terms of some numbers, but I am wondering if you would hazard a guess again at the overall figures? If there is some way to factor that?

Admiral Yost. I was probably rightly criticized by colleagues after making that estimate, so low, two or three years ago. And I was asked the kind of questions that you had asked me. How do I know that is the percentage? How much is being sent? Do I think that the drug smugglers are sending an invoice when they send this stuff so that we know how much they are sending and, therefore, if we do not know and we do not have an invoice, how can we get a percentage? And so, that was a gut feeling.

My gut feeling now is that in the last three or four months, a lot less cocaine is moving through the Caribbean. We are forcing that cocaine to go across into Mexico, sometimes by air, sometimes by ship and then trucked up through Mexico across the California border. And so, there is a lot less cocaine now coming across the Caribbean. That is because we have seized so much more in the Caribbean that it is forcing the smugglers to do something other than what they were doing.

As we get this aircraft, air radar net across the Caribbean, with Aerostats, sea-based Aerostats and airplanes, we are going to see more and more cocaine go by methods other than general aviation which is how they have been moving it: small aircraft. They are going to start putting it in containers, which they are already doing. Mixing it in with cargo. And the only way you can find that is really through good intelligence. They are going to be taking it through Mexico and sending it up by trucks. They are going to do all kinds of other things. And then we will have to see how we could respond to that method. I cannot tell you what percentage.

I know that the availability is still high, that you can buy it on the street. That the price has not gone down very much. That production-wise, world production-wise we have gone up. We are producing more in the world than we were. All those things are bad signs.

I also know that the use of our people is starting to go down a little bit. The attitude that this is a high risk act when you take cocaine, that attitude is increasing amongst our young people. So, there are plus and minus signs, and I think we are in a transition period.

Mr. Mrazek. Is it possible to put a dollar figure? I noticed something in terms of the questions provided by the committee by the Chairman that the fiscal year 1991 budget includes a total of $731,500,000 for drug interdiction which represents an increase of 8 percent, $56 million over Fiscal Year 1990. Is that a figure that you would agree with?

Admiral Yost. Yes. And it is reflected in the last—the result is reflected in the last bullet of that chart where you can see we are seizing about $3,300,000 worth of drugs a day. We have increased the amount of money we are putting into the program up around, I think you were right, $731 million are going into drugs, up from $675 million a year ago.

Mr. Mrazek. I assume that that 43 pounds per day represents a major haul in a given week. Maybe another week, it is a lot lower?

Admiral Yost. Yes. Some weeks I see that there are no seizures. And then all at once, we will see six tons. So, that is the average.

DRUG INTERDICTION STRATEGY

Mr. **Mrazek**. I guess it is pretty hard when they can be as flexible in the way they move cocaine into the United States to shift resources as quickly as we would like. In other words, if you are spending $731 million this year to interdict cocaine and the traffickers decide that the best place to do it is to bring it across the border at the Big Bend National Park in Texas, and I have been on a Blackhawk helicopter trying to see how Customs tries to deal with a thousand mile length of desert, scrub, and people moving back and forth across the border with ease. You never know whether in one of those trucks, of course, they have got illegal drugs. Have we reached the point of maximum return as far as this budget is concerned with respect to your efforts?

In other words, is it fair to say that we really should not spend any more or if we did spend more we would not see a commensurate increase in the amount of cocaine that is actually interdicted?

Admiral **Yost**. What we wanted to do is put a fence across the Caribbean as far as air is concerned so that general aviation could not move drugs across the Caribbean. To do that, we knew we needed a set number of aircraft, including the DOD aircraft that we are using, and the E-3s the Air Force is flying for us. And we needed these seaborne and airborne Aerostats. We needed the intercept aircraft, and we needed apprehension aircraft in the Bahamas, the Blackhawks and the Coast Guard H-3s. That was a major, major spending of money to get that fence in place.

That fence is probably 80 percent in place now. The rest is funded. And these Aerostats are coming on line one at a time and in the next year or so, it will all be in place. I think we are going to find that we have got a good fence at that point. Already the drug smugglers are now moving it in a different direction.

Now, that does not mean to me that we ought to take down the fence. It means if you take down the fence, they are going to come back in your direction. Like a balloon, you squeeze it and it comes out someplace else. But you have got to keep your hand on the balloon where you squeezed it because if you take that hand off and grab it someplace else, it comes back there. They have the flexibility to move it in a whole number of directions. And we have got to put up a fence and keep the fence there.

Mr. **Mrazek**. Can we keep the fence up all the way across our southern border? In other words, do you think we should now give the Customs Service all that they need to put a fence across our border with Mexico and Texas?

Admiral **Yost**. I cannot tell you. The Drug Czar has a strategy. I would be glad to send you a copy of that strategy. It is two volumes. And we are following the strategy. We think it is going to be successful. How much more, if any, Customs needs I do not know on the land border.

Mr. **Mrazek**. I guess I remember getting briefed about a similar strategy during the Vietnam War, and it related to our ability to stop the traffic coming from North Vietnam into South Vietnam, and the idea of putting up a fence between the borders of North and South Vietnam in order to monitor the flow of supplies, troop from North Vietnam to South Vietnam, and all of the wonderful confidence displayed by the intelligence about their capability to interdict those things. And in spite of a lot of optimism, it proved to be a very difficult task indeed.

And I guess that is one of the things that has convinced me that President Bush is rightfully looking to see an addition to a tough policy when it comes to interdiction and prosecution and incarceration that we move toward reducing the demand in this society for drugs. I suppose that as long as it is a greater social stigma in this society to be fat than it is to recreationally use cocaine, we are not going to be up to the challenge.

But I very much appreciate the fact that you are diligently and as effectively as possible conducting your part of the interdiction effort. Thank you, Admiral.

Admiral **Yost**. Let me say that the reason that we had that stuff coming down the Ho Chi Min Trail was that we had a good sea-based interdiction operation called Market Time. I was a task force commander in Market Time. We sealed the coastal borders, and then they had to bring it down. I think it is a very good parallel. And I do not know how many people have that perspective that you have just laid out. We have a perfect history, and we can see what happened there. And it is happening here.

Mr. **Mrazek**. Well, let us hope that we do not have ultimately the same result here. Thank you very much, Admiral.

ICEBREAKER PROCUREMENT

Mr. **Lehman**. As I understand it, the fiscal year 1990 funding that was provided for an icebreaker in the Department of Defense Appropriations Act has been deferred. What was the reason for this? Do you know?

Admiral **Yost**. The Department of Defense put on their deferral list any items that they felt were not ripe for funding at that time. They felt there were at least two reasons why the Coast Guard icebreaker was not ripe for funding. The first was that this Congress had required the President to submit an icebreaker report 30 days before any funds were obligated, and we have not been able to submit that icebreaker report to the Congress. It is way behind schedule. We are working very hard now to get it out. And OMB is leading the charge in getting that report up to Congress. So that condition had not been met.

The second thing, the Department of Defense wanted to review the Coast Guard design of that icebreaker to assure themselves that it could be built within the envelope of the money appropriated, about a third of $1 billion. I think that that was a reasonable thing for them to do. And so they are reviewing the design and we are getting the report up, and I have every assurance from the Department of Defense that they will remove that icebreaker from the deferral list once those two things are done.

ICEBREAKER NEEDS STUDY

Mr. **Lehman**. What is the status of the Administration's report that was due 17 months ago?

Admiral **Yost**. Late.

Mr. LEHMAN. And the status of the Navy's review of icebreaker requirements?

Admiral YOST. The status of the report is that we have now an agreed time line, and I am going to have to—I have got the time line here. Let me find it. We are promising ourselves it will be up here in early spring. It will be up here early spring, and the Navy's review is ongoing now. I think it is going to be finished in the next several weeks. So, by the time we get to May and June, I hope to have that off the deferral list.

Mr. LEHMAN. Are they still reviewing those requirements?

Admiral YOST. They are reviewing them with Coast Guard's help, but I do not see any major problem there. We have designed it. We are sure it is within that envelope. Their naval architects will find the same thing.

Mr. LEHMAN. The icebreaker that you are talking about has a defense component, I suppose, does it not? It would have a defense component?

Admiral YOST. Yes.

Mr. LEHMAN. I just wonder whether under this new peace dividend whether you need that kind of icebreaker for defense when even the DEW line is being questioned right now.

Admiral YOST. Well, let me say that the DOD response is due into OMB by the 13th of March. That answers the previous question on the time line. As far as the peace dividend, that icebreaker fulfills a number of requirements—one is a mobilization requirement where the Department of Defense needs a certain number of icebreakers. And I do not think that is going to change even though there is a peace dividend. In addition, that icebreaker does some scientific research that the Department of Defense uses. And that scientific research is for future planning. So I do not think that the peace dividend is going to make an icebreaker——

Mr. LEHMAN. It seems to me everywhere I turn, the peace dividend does not make any difference.

Admiral YOST. That may be. I do not know.

NATIONAL SCIENCE FOUNDATION ICEBREAKER PROCUREMENT

Mr. LEHMAN. I am not trying to comment on what you are saying, but I think that there is always a reason not to do anything. Is the National Science Foundation going forward with its procurement of a research icebreaker?

Admiral YOST. The National Science Foundation is going forward with leasing of what they call an ice capable vessel, and will be capable of breaking about three feet of ice at three knots. It will have a 75 day mission capability. It will have a helicopter capability. They call it a research vessel with an ice breaking capability. They are going forward. The cost of that is $83 million, and that is a contract for 10 years with a lease option.

ICEBREAKER VS. PATROL BOATS

Mr. LEHMAN. Why did the Administration defer the icebreaker funds that had been included in the President's budget request rather than the patrol boat funds that had not been included in that request?

Admiral YOST. Well, the icebreaker had this requirement put on it by Congress that no money could be spent until the report was up there, and the report had been very, very tough to get out of this government. OMB has now taken the lead and assured me that they will get that report out and they will get all the agencies in line in order to get the report out. So we could not spend the icebreaker money.

On the other hand, the boat money, we had an option for 12 boats that was running out, and the price on those boats was very low, about $7 million. If we let that option run out, we would have to re-bid that contract and pay a lot more for the boats. So that is why it was funded.

ADEQUACY OF FISCAL YEAR 1991 REQUEST

Mr. LEHMAN. Moving on to your 1991 request, although your fiscal year 1991 budget request provides for some real growth in operating expense, it includes a reduced level for your AC&I. Do you believe this budget includes sufficient money and personnel for you to adequately and properly serve?

Admiral YOST. I do, sir. And you have mentioned that it looks like a reduced amount for AC&I. It is a reduced amount, and it is an AC&I budget that will serve us well in this fiscal year. It is not a level of budget that could be maintained for very long. You can see we have had a $610 million average.

In Economics 101, I am told, to replace a capital plant, you need to put in about 5 percent a year to replace that plant. Our capital plant is now pushing $20 billion. I am not allowed to make that multiplication in front of this committee, 5 percent times $20 million. I do not know what that comes out. But that is probably about what we are going to look at in future years.

FACILITY CLOSURES

Mr. LEHMAN. Does the budget propose to close or assume closing any facilities or curtailment of any operations during fiscal year 1991?

Admiral YOST. This budget will not have any unit closures. Nothing will be closed with this budget. There will be some old ships that will be decommissioned as new ships come on the line, but no units closed per se.

SUMMARY OF BUDGET REQUESTS

Mr. LEHMAN. Please provide for the record a comparison, by appropriation, of your budget request, your request to OMB, and your request to OST, including an explanation of the major changes made at each level.

[The information follows:]

The following table compares the three stages of the Coast Guard's FY 1991 budget request:

U.S.COAST GUARD
THREE STAGE BUDGET
(In thousands of dollars)
FY 1991

Appropriation	OST Request	OMB Request	CONG Request
Operating Expenses.1/....	$2,485,871	$2,396,420	$2,391,351
Acquisition, Construction and Improvements........	972,100	822,600	419,536
Environmental Compliance and Resoration..........	0 2/	0 2/	7,000
Alteration of Bridges....	7,353	6,353 3/	6,353 3/
Proposed legislation.....		(6,353)	(6,353)
Retired Pay..............	451,900	451,900	437,300
Reserve Training.........	90,600	86,762	78,932
Research, Development, Test and Evaluation.....	25,475	23,000	23,000
Boat Safety..............	35,000	35,000	30,000
Pollution fund...........	40,700	40,700 4/	5,700
Proposed legislation.....		(40,700)	
Offshore Oil Pollution and Compensaton Fund.....	350	350 4/	0
Proposed legislation......		(350)	
Gift fund................	80	80	80
Total	$4,109,429	$3,815,762	$3,392,899

Note:

1/ Includes proposed $30 million for Boat Safety.

2/ Newly created account. Reflects funding in FY 1991 for select environmental compliance activities previously financed in the AC&I appropriation.

3/ The FY 1991 requests assumed that funding would be provided to the Corps of Engineers as the program manager, subject to enactment of proposed legislation to transfer the Alteration of Bridges function to that agency.

4/ Reflects no net new funding requested. Assumed incorporation into the proposed Comprehensive Oil Pollution Liability and Compensation Fund.

Major changes at each stage of the budget follow. Activities listed are those which incurred substantial reductions or, for those marked with an asterisk (*), were eliminated from the request.

	OMB vs. OST	CONG. vs. OMB
Operating Expenses	- Land-based aerostats - Helicopter maintenance/ops - Law enforcement aircrews - C2 logistics aircraft - Fishing industry vessel safety - USCG intelligence and security improvements - Marine environment protection initiative - Shore facilities rehabilitation and maintenance	- Land-based aerostats - Helicopter personnel - Law enforcement aircrews - USCG intelligence and security improvements * - Marine environment protection initiative - Shore facilities rehabilitation and maintenance
Acquisition, Construction & Improvements	- Polar Icebreaker #1 follow-on costs - 210′ Medium Endurance Cutter Major Maintenance Availability - Shore facilities construction/ renovation	- Polar Icebreaker #2 * - 110′ Patrol Boats * - HH-65 Initial Provisioning - C-130 Airborne Early Warning System * - Projects funded by Environmental Compliance and Restoration Account
Environmental Compliance & Restoration	---	New account
Pollution Funds	- Assumed enactment of Comprehensive Oil Pollution Liability and Compensation Act of 1989	

COAST GUARD ACADEMY

Mr. LEHMAN. Let me just comment about your Coast Guard Academy 1200 SAT score.

Admiral YOST. Yes, sir.

Mr. LEHMAN. That is amazing. It shows what you can do if you do not compete in varsity sports at a high level.

Admiral YOST. Well, that is right. We do compete at the high level, but that——

Mr. LEHMAN. I mean you are not in it for business.

Admiral YOST. We do not play Army and Navy, sir, and Notre Dame.

Mr. LEHMAN. Who do you play?

Admiral YOST. We play Wesleyan; Rensselaer; Norwich, which is a private military academy; King's Point, and they very often whip us because they are a little bigger.

Mr. LEHMAN. I really don't expect to see you in the Orange Bowl next year, do I.

Admiral YOST. No, sir. We went to the Tangerine Bowl once, sir.

Mr. LEHMAN. Did you really?

Admiral YOST. Yes, sir. In 1963.

Mr. LEHMAN. With 1200 SATs?

Admiral YOST. Yes, sir. We are not going to tell you what the score was.

Mr. LEHMAN. Is that 1200 average, or 1200 minimum?

Admiral YOST. I guess that is a 1200 average. We are the pickiest school in the country this year—not just for I.Q., either.

CALIFORNIA OIL SPILL

Mr. LEHMAN. Last month there was a major oil spill off the coast of California. What is the status of the spill and the cleanup activities?

Admiral YOST. Did you know the President asked me to go to California to take a personal look at that oil spill? I reported back to Secretary Skinner. The oil spill now is, for all intents and purposes, cleaned up. There are some small portions that they are still working on, like some of the breakwaters where the rocks are very difficult to clean up, et cetera. But for the most part it is cleaned up. It was a multi-million dollar spill. BP, that owned the oil, came forward very quickly and provided all the funds for the cleanup.

Mr. LEHMAN. How long did it take to start the cleanup and what role did the Coast Guard play in the initial response?

Admiral YOST. The initial response was outstanding. Within two hours, one Coast Guard helicopter and one 41 foot Coast Guard utility boat was on the scene. An 82 foot Coast Guard boat was on the scene, as well. And we had within two hours at least one skimmer from a contractor. The vessel was boomed and additional skimmers were brought on the scene within five hours. Wildlife refuge was boomed within five hours. All the sensitive areas were protected and boomed by 2 a.m. the next morning. So the initial response was outstanding.

Mr. LEHMAN. To what extent have you continued to participate in the cleanup and monitoring of the cleanup?

Admiral YOST. The Coast Guard has overseen the cleanup of that spill. They have directed the cleanup where necessary. BP hired contractors and executed the spill and did a good job of it.

Mr. LEHMAN. What is the total cost, and how much will the Coast Guard spend?

Admiral YOST. Total cost——

Mr. LEHMAN. Estimated.

Admiral YOST [continuing]. Was $16 million.

Mr. LEHMAN. How much?

Admiral YOST. $16 million. Had we had to take that out of the 311[k] fund, we would have been in trouble.

Mr. LEHMAN. Is $16 million the total, or the total Coast Guard cost?

Admiral YOST. No. That is the total cost. The Coast Guard marginal cost, I cannot give you that figure now as to what it cost us to put people on scene.

Mr. LEHMAN. For the record?

Admiral YOST. Yes, sir.

[The information follows:]

The Coast Guard has obligated approximately $1,200,000 from the Pollution Fund to pay for direct expenses. Direct expenses include the costs for the Navy skimmers and the travel and per diem costs for Coast Guard personnel. Direct expenses will be submitted to the American Trading Company, the responsible party, for payment. The American Trading Company has agreed to reimburse the Government for these expenses.

CALIFORNIA OIL SPILL

Admiral YOST. But when we do that and the spiller does the cleanup, we probably will not bill anything but the marginal cost to the spiller. There will not be a lot of billing to the spiller in this case.

Mr. LEHMAN. What size oil spill does the contingency response plan for this area provide for? And had this plan been revised since the *Exxon Valdez*?

Admiral YOST. Many of the people in the Coast Guard who cleaned up that spill had just returned from Alaska, having worked on the *Exxon Valdez* spill most of the summer. They had revised their contingency plan within the last two or three months. So the contingency plan was brand new and had been expanded to cover a much bigger spill than the previous one. I do not know how many tons of oil it was based on.

Mr. LEHMAN. What is the status of your investigations of the cause?

Admiral YOST. The investigation is ongoing. It is not completed yet. Those investigations normally take about six months. I said yesterday I wanted that done in a few weeks. That is not a complicated case, in my view, and does not need six months. So I hope to have the investigation finished in a few weeks.

Mr. LEHMAN. After *Exxon Valdez,* there was about a 10-hour delay before the crew was tested for alcohol. Were alcohol tests administered after the American Trader? If so, who was tested, how quickly, and what were the results?

Admiral YOST. What happened is that the vessel grounded at 4:26 in the afternoon. The alcohol tests and the urine samples were taken immediately by the investigators when they arrived on board at 7:24 p.m. So that is about 3 hours later local time. The tests were negative. That is, the urine tests and the Breathalyzer test were taken on the master, the second mate, and the mooring master and all proved negative.

ALASKA OIL SPILL

Mr. LEHMAN. After a year on the *Exxon Valdez* accident, what is the situation on the cleanup and your activities at the present time in this effort?

Admiral YOST. Well, the cleanup in Alaska still has a considerable distance to go. Right now there is up to 40 inches of snow on some of those shorelines, and until we can get in there and really see what is left, it is going to be hard to determine the extent of the cleanup necessary. But Exxon will be back in the spring, and they will do what the Coast Guard tells them to do in this cleanup. They have assured me of that. The cleanup will start somewhere around 1 May, weather permitting.

Prior to that time, there will be a complete beach survey done by the Coast Guard, Exxon, and the state together and that survey will reveal what needs to be done. It will be agreed on, and Exxon will provide first a generic plan for cleanup. And once the survey is completed, they will then make that generic plan specific to area. The Coast Guard will approve that plan or cause it to be changed so that we can approve it, and then it will be executed this summer.

COMMISSION REPORT

Mr. LEHMAN. A report of the Alaskan Oil Spill Commission blamed the accident partly on the Coast Guard's "unduly friendly relationship with industry." One member of the task force that had helped set tanker standards for the Port Valdez trade was quoted as follows, "The shippers simply stopped following the rules, and the Coast Guard has stopped enforcing them." I guess you have some comments about these conclusions.

Admiral YOST. Well, I would like to comment first on the commission report. The commission report has been finished for several months. At least they made their press releases several months ago. They have yet to send me a copy of the report, and that is because they have not finished the report. What they did send a copy of was an executive summary. It is amazing to me how you can do an executive summary of a report months before it is finished.

If the report is anything like the executive summary, it has some holes in it. In some cases it is not well done. It leaps to some confused conclusions that are not well justified. But not having the report, I can only surmise that the conclusions are not well justified.

There are several points in which we agree with the commission, despite the report not being so well done. We agree with them in that there is a risk to the marine transportation of oil. That risk is unavoidable. We agree that prevention is the best means to avoid spills of national significance. We agree that the Coast Guard needs an adequate budget to carry out its responsibilities. That is one you would probably share with me, sir. And, we agree that federal, state, government, and industry must exhibit constant commitment towards prevention of oil. I agree with all those things.

There are some things I do not agree with. The report seems to be somewhat self-serving on the fault of the State of Alaska, and somewhat overzealous in finding fault with the United States Coast Guard. Until I get the report, I probably ought not comment any further.

Mr. **LEHMAN**. What about the one member of the commission's comment about the ships not following the rules?

Admiral **YOST**. What he is talking about is a relaxation of the rules in Valdez from the time that the north slope oil line was opened and the Valdez terminal was opened up to the time that the *Exxon Valdez* went aground. There was some relaxation of the rules. And some of those rules I have reimposed.

Some of the relaxation made sense; for instance, the pilot station had to be moved because the weather was so rough. Pilots could not board at that point. There was some relaxation made of when pilots needed to be aboard. And in clear weather, in daylight hours during certain periods, they allowed pilots not to be aboard some of these vessels. So there was some relaxation, and we have reviewed that. We have reimposed some of the rules, so I do not fully disagree.

Mr. **LEHMAN**. What specific major recommendations did the Alaska Oil Spill Commission make to the Coast Guard and how have you responded to these recommendations?

[The information follows:]

The Coast Guard has not responded to the Alaskan Oil Spill Commission Report because the full report has not been provided to the Coast Guard. The State of Alaska has only issued the Executive Summary. The Executive Summary alone does not provide sufficient detail for preparation of a meaningful response.

Within the Executive Summary, there are several points with which the Coast Guard is in agreement. These include: the requirement for an adequate Coast Guard budget to carry out its responsibilities; that prevention is the best means to avoid recurrence of "spills of national significance"; that industry, federal and state government must exhibit a constant commitment toward prevention of oil spills; and, risk in marine transportation is unavoidable.

However, the Coast Guard also finds that the Executive Summary contains many disconcerting statements. Among these is the Commission's determination of a cause of the accident without benefit of a completed NTSB investigation. The Coast Guard also takes particular exception to statements that reflect a Coast Guard disregard for environmental costs and statements that indicate an unduly friendly Coast Guard relationship with industry. The Commission also charges that the United States (Coast Guard by implication) has been too cautious in international fora and has been dominated by U.S. based multinationals. Unfortunately, these statements reflect the lack of a working familiarity with the marine industry or a clear understanding of the National Contingency Plan and its hierarchy of responsibilities.

The Commission did make several recommendations that are related to current Coast Guard actions:

Recommendation	Response
Coast Guard should be funded to carry out marine safety responsibilities.	The FY 1991 budget contains a request for a small portion of the funding required to meet new responsibilities anticipated from oil spill legislation. Significant new funding will be required.

Recommendation	Response
Require double hulls for all tank vessels in U.S. waters.	The National Academy of Sciences is currently conducting a study to determine the efficiency of a variety of methods for minimizing the accidental release of oil, including double hulls. The study is due at the end of 1990.
Installation of mandatory traffic controls in Cook Inlet, Prince William Sound and other waters.	The Coast Guard is currently conducting a Port Needs Study to evaluate the need for traffic control measures in U.S. ports.
Establishment of manning standards to reflect emergency conditions as well as normal operations.	Current manning standards already consider the ability of crews to respond to fires and other emergencies.
Specifically define the Coast Guard's role to include safe transportation of oil by sea.	The safe transportation of oil is already a key mission of the Coast Guard. However, risk in marine transportation is unavoidable.
Either strengthen the Coast Guard's oil spill response capability or transfer responsibility to the Corps of Engineers.	The Commission confuses the Corps' relative success in oil collection by dredges with an ability to assume a total responsibility for pollution response.

The Coast Guard will consider these recommendations along with those of other groups in formulating implementation policies for provisions of the oil spill legislation.

Mr. LEHMAN. Please provide a list of all the Commission's recommendations to the Department or the Coast Guard along with the actions taken on them.

[The information follows:]

The complete Alaskan Oil Spill Commission Report has not been provided to the Coast Guard. The State of Alaska has issued only the Executive Summary which contains 59 recommendations. The previous answer provides our comments on the recommendations contained in the Executive Summary which relate to the Coast Guard. Further response pends receipt of the Report itself.

DANGERS OF TRANSPORTING OIL

Mr. LEHMAN. Mr. Mrazek?

Mr. MRAZEK. Admiral Yost, I know that Congress is certainly going to again consider the possibility of opening the Alaskan National Wildlife Refuge to the east of Prudhoe Bay for exploration of oil and gas reserves. And I am just curious as to whether you may have reached a conclusion as to whether an accident of the type incurred with the *Exxon Valdez* is almost inevitable based upon the amount of oil that would be moved from the Valdez through the Valdez terminal and the difficult weather conditions, the narrowness of the channel, the size of the ships?

Is it fair to assume that over the course of the life of the availability of reserves to continue moving it that this kind of thing is almost inevitable?

Admiral YOST. I do not think it was inevitable, but I think that the risk is unavoidable. As long as you move oil by sea—and we do not have any better way of moving it—that risk is going to be there. It seems to me that this Congress is intent on reducing that risk in the oil spill legislation that is now being conferenced. My concern is that the bill does reduce the risk and not in fact make it more difficult to operate and to clean up oil spills. But I think the risk is unavoidable.

I do not know whether spills are inevitable. As I said, prevention is the best means to avoid a recurrence of a spill of national significance. I hope we can do that. I do not know how anybody can guarantee it.

Mr. MRAZEK. I do not think it is really possible. I happen to know Jeff Hazelwood very well. I went through high school with him, and he was an incredible kid. For whatever problems that developed in his life, it would just seem to me that when you have all of those factors coming together, at some point there is going to be a confluence of things that happen, and you have to pay a significant price in this case for it.

I guess I came to the conclusion that you really have to decide whether you are going to have a national wildlife refuge or you want the oil and gas, because I do not know that you really can have both of them. It would be wonderful luxury if we could, but I do not think based on the potential problems that exist in transporting it, as you say, that we can have both.

Admiral YOST. I think it is the Administration's position that we can have both.

Mr. MRAZEK. I know that.

Admiral YOST. I cannot argue that, because that is out of my area of expertise, sir.

Mr. MRAZEK. Okay. Thank you.

TANK VESSEL MANNING LEVELS

Mr. LEHMAN. Are you considering any revisions in the manning levels of tank vessels as a result of the *Exxon Valdez* accident?

Admiral YOST. The Coast Guard is reviewing tank vessel manning. In that review, we have funded a National Academy of Science marine board study and they are studying the effects of smaller crews on maritime safety. We have funded a Department of Transportation Transportation Systems Center study and that study is titled "Shipboard Crew Fatigue: Safety in Reduced Manning." And the Coast Guard is reviewing its existing process for approving the operation of engine rooms which are automated to have less people. So we are reviewing it, and the review will result in perhaps some changes to the manning standards for——

Mr. LEHMAN. What is the timeframe?

Admiral YOST. I will have to provide that for the record.

[The information follows:]

We expect to have the results of these studies available for our review by July 1990. Concurrent with these studies, we are reviewing Coast Guard procedures for approving changes in watchstanding requirements and reduced crew requests. Pending completion and review of the manning studies, it is premature to indicate a date by which any regulation may be changed.

EFFECTS OF ICE IN PRINCE WILLIAM SOUND

Mr. LEHMAN. There has been an increase in the number of reports of ice in the traffic lanes of the Valdez run since Prince William Sound vessel traffic service [VTS] was first established in 1977. Do you believe ice presents a serious navigational hazard to vessels in that area? If so, are any steps being taken to control movements of vessels such as daylight transits, speed restrictions, etc. when ice is reported in the lanes?

Admiral YOST. We do not think that the ice presents a major problem. On the night the *Exxon Valdez* went aground, although there were some bits of ice in the channel, none of them were big enough to have damaged the vessel if the vessel had been moving at four, five, or six knots. So there was no ice in the inbound channel, and the tanker moved into the inbound channel, or that was her intention on her way outbound to avoid what little ice was there and to make a little better speed.

We have never had to close the channel because of ice. We have considered closure on a couple of occasions, but never had to close it because of ice. So we do not think that there is a major ice problem there. There may be a time when tankers have to slow down so that if they do hit some of these little bits of ice, they will not do any damage.

Mr. LEHMAN. Have you ever closed the port to tankers because of ice in the traffic lanes? If so, when and under what conditions, and if not, under what conditions would you close it?

[The information follows:]

The Coast Guard Captain of the Port (COTP) has never closed the port of Valdez due to ice conditions.

There is no specific set of conditions that would dictate closing the port of Valdez. The Coast Guard would exercise its authority to close the port after considering several factors that affect ship safety and concluding that the combined level of risk was unacceptable. Before making this determination, the COTP must consider not only the extent of ice coverage, but the currency of the ice reports, visibility, and weather. The combined effects of these conditions would be weighed on a case-by-case basis before the COTP would consider closure.

ICE REPORTING AND MONITORING IN PRINCE WILLIAM SOUND

Mr. LEHMAN. On the date of the *Exxon Valdez* accident, did other tankers and vessels have to deviate from traffic lanes because ice had been detected? If so, had the master and pilot of the *Exxon Valdez* been informed of these other deviations?

Admiral YOST. Well, other vessels had to maneuver that day to avoid the ice prior to *Exxon Valdez*. Their transits were uneventful. The *Arco Juneau* reported ice in the Valdez arm all the way from Glacier Island to Bligh Reef. And the *Arco Juneau* reported they would maneuver through the ice and did so without incident. The *Exxon Valdez* was told about the ice conditions and the time of the last ice report. They elected to go over into the inbound channel, which was a very reasonable maneuver—made sense—in order to avoid the ice. That maneuver was not executed well, apparently, and they went aground.

Mr. LEHMAN. Have you made any changes in ice reporting procedures since the *Exxon Valdez*?

Admiral YOST. Since the *Exxon Valdez*, the escort vessels that are now moving with the tankers—and this is new, having escort vessels go in and out with the tankers—are now reporting ice conditions, and those are relayed to the vessel traffic service. And of course, once they are relayed, that information is then relayed to any other vessels in the system.

This ice reporting method has not yet been tested since ice has not been a significant problem in Prince William Sound so far this season. You get the ice once the thaw comes. As long as everything is frozen up, ice does not get out in the channel. It is when the glacier starts to thaw and spins off or calves off ice that you get ice out in the channel.

Mr. LEHMAN. Do you plan to modify or extend radar coverage so that the Prince William Sound VTS can monitor the ice conditions?

Admiral YOST. To extend the radar coverage to cover the traffic lanes would require four additional radar sites, and that would cost as much as $30 million and take about three years to complete. Another system would be what we call an automated dependent surveillance system, which is basically having the ship's Loran-C system retransmit its position to the vessel traffic service on a constant basis. That would cost about $2 million, and would take about 18 months to complete. It would cost the vessels that are carrying the system somewhat more.

The vessel traffic system improvements are going to be mandated in this pending oil spill legislation, and we are waiting to see what form this legislation takes before we make a decision to go either with the $2 million system or the $30 system or any system.

COMMUNICATION UPGRADE AT VTS VALDEZ

Mr. LEHMAN. Have you taken, or do you intend to take any action to upgrade the communications system?

Admiral YOST. No. The communications system is adequate. It covers the communications lanes very well, and it will not change significantly in the next few years.

ALCOHOL AND DRUG TEST OF VTS VALDEZ WATCHSTANDERS

Mr. LEHMAN. Did two of the personnel at the radar monitoring station test positive for alcohol and/or marijuana after the *Exxon Valdez*? If so, what action was taken?

Admiral YOST. Well, first there was no basis for action taken against these employees. The only test which showed a significant level of alcohol was taken over 12 hours after the incident, and that was long after the individual had been relieved of his watch and several hours after the individual had gone home. Of course, having alcohol at home is legal. Having alcohol on a tanker is a very different matter. The tests that——

Mr. LEHMAN. Excuse me. Is it illegal to carry alcoholic beverage on a tanker?

Admiral YOST. It was against the rules of the company, and it is illegal to have an alcohol level in your blood above a certain level.

Mr. LEHMAN. Yes. But not on the tanker itself?

Admiral YOST. No.

Mr. LEHMAN. Why was it 12 hours between the time that they did the testing on the two radar monitoring station people?

Admiral YOST. I think it should have been done much sooner than that. Twelve hours was way too long, and I do not know. It just happened.

The drug thing is—I would like to set that at rest. The drug screening that was taken was done several days after the incident. And it produced negative results. However, there were trace elements of a foreign substance thought to be marijuana in one of the urine samples. These trace elements were far below any requirement that we have in the Coast Guard or anybody has for marijuana, and could have been the result of being in an environment where it was being smoked. And because it was several days afterwards and well below any kind of cutoff—and illegally taken probably—we have not——

Mr. LEHMAN. Do you have procedures now that would prevent this kind of delay in testing?

Admiral YOST. Yes. But once somebody goes off watch—it should have been taken before they went off watch. I directed immediately that it be taken. It took 12 hours to get it taken. And the individual said that after he left the watch, he had a few drinks on his way home. So there was no indication of any kind that alcohol was a factor by the vessel traffic service, or that it had been used while on watch.

Mr. LEHMAN. If he drove himself home, he might have been picked up for——

Admiral YOST. Yes. Yes.

Mr. LEHMAN [continuing]. Driving under the influence.

Admiral YOST. Yes.

Mr. LEHMAN. But you do have procedures to prevent these kind of delays in case something like this would happen again.

Admiral YOST. Yes, we do.

"EXXON VALDEZ" EXPENSES AND REIMBURSEMENTS

Mr. LEHMAN. Your February report on Exxon Valdez and reimbursements indicates that as of January 1, 1990, you had incurred expenses of $33.6 million; had billed Exxon for only $28 million. What is the reason for this delay since most of the expenses have been incurred prior to last November?

Admiral YOST. I am going to have to provide that for the record.

[The information follows:]

Prior to billing Exxon, the Coast Guard must first analyze and verify each estimated cost. This is an exacting process. There is a high volume of transactions from numerous locations, and the Federal On-Scene Coordinator must approve all costs. A significant part of the estimate is expected to be analyzed and billed in the near future. The current difference between estimated costs and billings is approximately $4,900,000.

Admiral YOST. Your figures are right. There are still some billings that are apparently at issue, and we are solving those. But I do not think it is a major problem.

OIL SPILL LEGISLATION

Mr. LEHMAN. Currently both the House and the Senate have passed major oil spill legislation. Last November you were reported as having called the House bill a "worse disaster than the Valdez." Is that accurate? If so, what is the basis for your opinion? If not, what is your position regarding the House bill?

Admiral YOST. Well, I am surprised that someone from your staff reads the Indianapolis Times, sir. That is where I made the statement. I did not know the Indianapolis paper was read in Washington at all. I thought I was safe in making that.

However, let me say this. There are three major flaws in the bills that are being conferenced. Both bills have serious flaws. The things that I would like to see corrected in the bills, I would like to be able to ratify the international protocols and the House bill would allow us to do that. The Senate bill would not. I would like to see the final bill provide that the United States Coast Guard continues to decide how clean is clean, and not turn that over to a State Governor, who would then be able to keep federal forces working up there and contractors until he felt it was clean.

I would like to see the immunity provision of that bill that provides for immunity against simple negligence for contractors who are working for the U.S. Government when we federalize a spill. I would like to see that immunity extended to private contractors working for the spiller, because if we do not do that, no contractor will work for a spiller. He will just sit on his hands until we federalize the spill, because once we federalize it, he gets immunity from negligence in his cleanup.

I would like to see the bill eliminate the requirement for me to investigate foreign tanker manning. That is an international law problem. If we in the United States would just ratify the standards of manning convention, and we helped negotiate, I do not think we would have to go behind that standard to investigate individual foreign tanker manning. I would hate to see us when an Italian crew comes in break out the Italian test for rules of the road and sit that international crew down and test them for rules of the road, or anything else.

I would like to see the double hulls/double bottom provision of the bill provide that the Secretary of Transportation has some leeway in deciding the double hull/double bottom standard when looking at tanker construction to obtain the same level of safety.

And I would like to see some way that the fund could be used to fund Coast Guard additional responsibility provided by this bill. This bill will require us to put in more vessel traffic services; more strike teams; more review of contingency plans; more review of licenses of masters and mates. All of that costs money. And right now there is no way of funding it. I would like to see the uses of the fund provide for those kinds of things.

And lastly, I would like to see the Coast Guard have to review contingency plans and not approve contingency plans. There are thousands of oil spill contingency plans throughout the country, and we just do not have the personnel to sit down and carefully review and then approve each of those contingency plans. And as we do approve them, I think we take on some liability—the Federal Government does in that approval.

SENATE BILL COMPARED WITH HOUSE BILL

Mr. Lehman. What is your position on the Senate-passed bill and what major changes did the Senate bill make compared to the one passed by the House?

[The information follows:]

While we generally support the House bill, there are several provisions in the Senate bill which we strongly support. Senate section 308 would require new oil tankers to operate with double hulls unless the requirement will not enhance oil tanker navigation safety or an equal or greater benefit would be achieved by other structural requirements. This provision is preferable because it allows the international community to offer a substitute solution rather than framing the provision in a manner which mandates double hulls upon the international community. This will enhance the U.S. bargaining position in other matters before the International Maritime Organization. We support Senate section 303 which permits the Coast Guard to suspend or revoke the license of an individual who has committed a serious criminal offense while "ashore". We also support the Senate bill's silence in several areas where the House bill contains unacceptable provisions, such as foreign tanker manning, overfill monitoring devices and periodic gauging of plating thickness.

Both bills would significantly alter the liability and response provisions of the Federal Water Pollution Control Act. The Senate would raise liability limits on tankers to $1,000 per gross ton, the House would implement a split-liability system where the tanker would be liable for $600 per gross ton, followed by the cargo owner who would be liable for a similar amount. Both bills would require new tank vessels to be constructed with double hulls (which include double bottoms), but the House provision places a similar requirement on existing vessels as well. The Senate bill places the primary burden of responding to oil spills on the President while the House bill retains the spiller as the person responsible for removing the oil, but requires the President ensure a proper cleanup. Both bills also enhance the licensing requirements for merchant seamen by creating a renewal process for some documents, invoking drug and alcohol testing programs, and establishing new bases for suspension and revocation of licenses and documents.

The Senate bill is seriously deficient in one principal respect: it does not permit ratification of the 1984 Protocols to the International Convention on Civil Liability for Oil Pollution Damage (1969) and the International Fund for Compensation for Oil Pollution Damage (1971). While Title I and Title III of the House bill are crafted to permit ratification, provisions in the Senate bill conflict directly with Protocols. It is essential that this legislation pave the way for Protocol ratification. The Protocols represent a global solution to the global problem of oil spill liability. The Protocols are the product of long, difficult negotiations which symbolize America's commitment to act jointly with the international community on this issue. Of a more pragmatic concern, the Protocols provide enhanced access to the assets of foreign shipowners and to a large international liability and compensation fund. The Senate should adopt the House language on the Protocol provisions in Title I and Title III of H.R. 1465.

OIL SPILL LIABILITY TRUST FUND

Mr. LEHMAN. As I understand it, the Budget Reconciliation Act of 1989 established an oil spill liability trust fund, which under the Senate bill appears to be available without prior appropriation for expenditures such as oil spill removal and monitoring, oil spill enforcement, and certain administrative costs. According to your budget, you will be spending more than $180 million in fiscal year 1991 for marine environmental protection activities.

How much of this $180 million could be derived from the oil spill liability fund? For example, you indicated you will investigate an estimated 8500 oil pollution reports, monitor 1900 oil spill cleanups, and supervise 650 oil spill cleanups. To what extent are these costs and other oil pollution enforcement and administrative costs currently being funded by your operating expenses appropriation, and to the extent they are, will they be eligible under the trust fund?

Admiral YOST. Well, to start with, I am very disturbed that there is some thought to a provision in legislation that would cause, allow, or even require the Coast Guard to use some of its OE expenses for cleaning up oil spills. I think it is highly unlikely that we would do that. Certainly at the end of the fiscal year, in the last month or so, we would not have any money left in the budget to do a major oil spill cleanup, $16 million or even $1.2 billion or $2 billion.

Secondly, to do that—to take OE funds and start to clean up something, we would start to have to close down stations. We would have to release people so that we could take that money and use it for the oil spill cleanup. Now you know the law now provides that the Coast Guard cannot close any stations. The law restricts us very heavily on reprogramming actions, so we cannot reprogram any money to do it. We have a spending floor under the drug thing, so we cannot use any drug funds. So basically we cannot use any OE money to clean up oil spills.

Now what that means is if there are any new requirements, they have got to be funded, and whether they can come out of that new oil spill fund or not, I do not know. But there have got to be new funds to do any of this. So this oil spill bill cannot fund anything that is currently coming out of OE.

Mr. LEHMAN. But your solution to the problem would be if you could get these routine type of oil spill resources from the trust fund, then that would provide money from other than your OE appropriation.

Admiral YOST. Well, what we are doing in oil spill cleanup now out of OE is very little. All of the oil spill cleanup—particularly the major spills are done by the spiller out of the 311[k] fund. So there is very little OE money that is going to be saved by this fund.

Mr. LEHMAN. For the record, for marine and environmental protection activities, how much of this $180 million would be derived from the oil spill liability fund? Can you provide that for the record?

Admiral YOST. Yes. Yes. Let me do that. I am going to have to examine what is in the $180 million.

Mr. LEHMAN. I put it wrong. How much of this $180 million could be derived from the fund, and how would it be used?

Admiral YOST. Okay. I understand the question. Let me provide it for the record.

Mr. LEHMAN. It should be if it came out of the trust fund.

Admiral YOST. Yes. If it came out. Let me describe what that $180 million is. That $180 million is a program budget. That takes all of the multi-mission assets of the Coast Guard, and if a ship spends 10 hours this year in cleanup, then it says, okay, 10 hours of that ship's expenses are—and that is how the $180 million comes together. All the little bits and pieces from all the units that do anything in environmental protection. Now the fund is going to be used to clean up spills.

And we do not even have any way of getting into the fund to clean up spills now without appropriation. So I do not see how we could get from the fund anything to offset the bits and pieces of the program budget that add up to $180 million. For the record, I will address that more seriously.

[The information follows:]

The $181.2 million of Operating Expenses for marine environmental protection is based on a program allocation that reflects the amount of time spent on a particular mission emphasis by Coast Guard facilities. Only a small portion of these funds could come from the proposed Oil Spill Trust Fund.

Our main concern is that the budget before the Congress meets only a small fraction of anticipated resource needs for new tasks identified under pending oil spill legislation. Areas partially addressed in the 1991 budget include: pollution fund staff to enhance fund management and increase cost recovery efforts; contingency planners to partially initiate new requirements for plans review; pollution prevention enforcement of legislation; and licensing and documentation enhancements needed to re-examine mariner's qualifications more frequently and to check criminal and national driver's records (NDRs).

In order for Coast Guard to perform the tasks currently spelled out in the pending oil spill legislation, many more resources will be needed in all areas. Additional resources are needed to do the following: review, approve, and exercise more than 7,000 contingency plans; renew mariner documents—more than 18,000 new transactions, each with NDR and criminal record check; field additional strike teams, each with new responsibilities; implement new regulations; and conduct more than a dozen studies.

In summary, without additional resources, the Coast Guard will not be able to assume increased taskings. Presumably, any new resources would come from the pending legislation. However, without further changes to pending bills, access is impossible. Essential staffing and funding arrangements/mechanisms must be developed to free resources and make them available to the Coast Guard.

Mr. LEHMAN. Will this trust fund help us prevent oil and tar on the beaches in South Florida?

Admiral YOST. Well, I hope that it does if we can get money out of it. What concerns me about the question is any feeling that this trust fund could somehow offset some of the function 400 problems that you and I share, that somehow we could get money out of this trust fund to offset those function 400 problems in the Coast Guard budget. And I do not think that we can, but I will examine it.

Mr. LEHMAN. The possibilities are, as you said, an oil spill might just stop the show.

Admiral YOST. It would stop the show in Alaska in order to clean up an oil spill in Florida. It would stop the show in Florida to clean up an oil spill in Seattle. And I do not think that is going to make a lot of sense. It is not going to happen. I will not do it. It is highly unlikely that I will do it. I never say I will not do something. It is highly unlikely that I would do that.

OIL SPILL FUNDING

Mr. LEHMAN. You have several requested funding increases in your budget for oil spill related activities. Are these types of activities, such as pollution fund administrative staff, oil spill contingency planning, and license of seamen eligible expenses out of the trust fund in either bill?

Admiral YOST. We put those items in our 1991 budget. We call it the oil spill wedge. We knew that there was going to be legislation passed that would cause us to expand our operation in the environmental protection area. So we tried to guess what that was. Being unable to guess, we just put these funds in as place markers of things that we knew we would have to do, but I do not think that is going to even begin to match what this bill is going to require us to do.

Mr. LEHMAN. To what extent are these requested increases related to the pending new legislation? For example, do both bills require renewal of a seaman's license?

Admiral YOST. Well, these things both address what we thought was going to be in that legislation, but the legislation had not even been formulated when we put this budget together. The legislation has many new areas in it that have not been included in our budget.

And the budget estimates that we brought in here are way low from what that bill is going to require us to do. For instance, the house bill, as I program it out, would require 453 new FTEs and $63 million. The Senate bill would require 558 FTEs and $72 million. Now if they conference that someplace in that area, and I have in this 1991 budget only a total of about almost $8 million against a $72 million pot, we are in trouble.

If we are going to do those things, there has got to be some more money found. And I do not know where it would be found, maybe in the fund. Maybe someplace else. I just do not know. But I need to share that problem with this committee and work out how we are going to find that and whether it is in function 400 or elsewhere.

Mr. LEHMAN. Before yielding to Mr. Conte, we will probably come back at 2:00.

Admiral YOST. All right, sir.

Mr. LEHMAN. Silvio, would you like to start your questions now, or do you want to come back at 2:00.

COAST GUARD'S MAJOR ACCOMPLISHMENTS

Mr. CONTE. I will try to come back, but just let me have an opening statement just in case something happens. It is a pleasure to have you again here, Admiral Yost. I find it hard to believe that this will be the last time you are going to be testifying before this subcommittee. Four years certainly goes by very quickly. That's not much time to leave your mark. But I want to commend you, Admiral. I have had the opportunity to work with the Coast Guard now for 32 years on this committee and Congress Appropriations.

And all of the Commandants have been good men, and good leaders. But I do not think any of them have been as active nor as effective an advocate for the Coast Guard as you have. You have done an outstanding job. I do not know what your shoe size is, but no matter what the size, your shoes are going to be very difficult to fill. It has been a joy for me to work with you and with the Coast Guard, which I find to be my favorite agency of any agency in the Federal Government.

You have got some tough problems again this year. And just looking at some of the boards here scares the heck out of you. You have to beg and borrow, steal from other committees and other agencies in the Federal Government to keep going. And Congress just keeps persisting on giving you more and more missions and more duties out there and not coming up with the money.

One of these days, they are going to have to come to a realization that they are going to have to come up with the money to give the services that the country is expecting that we are going to provide. You have had four tough years, in fact, if it was not for defense and the narcotic bill and everything else, things would have been even tougher.

You guided the Coast Guard, as I said, through four difficult years. There was a budget crisis two years ago, and last year there was a massive oil spill. There was a destructive hurricane. Your mission has continued to broaden, as I said, particularly in drug interdiction and environmental protection. You also faced heightened public and congressional scrutiny.

How would you assess the changes in the Coast Guard over the last four years, and what do you consider to be the major accomplishments during your tenure there?

Admiral YOST. I think our major accomplishments, Mr. Conte—and before I give you those, let me thank you as—we think you are a member of the Coast Guard family. You have been a very, very strong supporter of the Coast Guard, not just for my 4 years, but for 32 long years. And I imagine your 32 years seem to have gone by as quickly as my 4. Time does fly when you are having fun, sir.

Mr. CONTE. That is true. It is true. It seems like yesterday.

Admiral YOST. Our accomplishments in this four years have been in drug interdiction. We are a much more effective force for the American people against drugs coming into this country. We have cut down marijuana coming across the Caribbean to a trickle. We are now working on cocaine, and we see some early signs of some success there. We have had success in being a more effective military force for this country and working closely with the Department of Defense and being able to carry out our part of the war plan.

And while we have been doing that, we have increased our abilities in the marine environmental protection area, and we were encouraged to do that by the Exxon Valdez and some other spills of major significance. So those have been the accomplishments, sir.

Mr. CONTE. I know that when the next Commandant takes command, he's going to set new goals for the Coast Guard. What do you think are the particular areas which need improvement?

[The information follows:]

Providing adequate, affordable housing for our people will be an important priority. And, we need to do a better job in recruiting and retaining women and minority members. There will be a continued emphasis on drug enforcement (especially the interdiction of cocaine) and on traditional mission areas, as well. Our revitalized environmental protection mission will demand additional people to effectively meet the nation's needs. Coast Guard people are working hard just to maintain current levels of service to the public. We do not have enough personnel to maintain the current level and also do all that we feel needs to be done. I can't afford all the people authorized now due to required pay raise absorptions, required maintenance and operational demands. We have to continue to support our people, and we must have additional people to take on additional taskings.

VTS VALDEZ OPERATIONAL CHANGES

Mr. CONTE. What operational changes, Admiral, have you implemented at Valdez and Prince William Sound as a result of the oil spill, and how have they improved your operation?

Admiral YOST. We have increased the numbers of people on watch in the Valdez traffic center. We have worked with the State of Alaska. There are now two vessels that accompany each tanker to sea. Those vessels are cleanup vessels. They have boom on board. They also have a towing capability in case the tanker loses power or loses steering. We have watched very carefully the weather conditions up there in allowing tankers in and out, and in general tightened up the whole Valdez operation.

Unfortunately, it seems to me none of these things were the cause of the Valdez accident. It was not caused by bad weather. It was a beautiful night. It was not caused by ice in the channel. There was not any ice where he was. It was caused by personnel error. And so as we tighten up these rules and try to prevent spills, I have this haunting feeling we are working on the wrong end of the problem. The end of the problem is to somehow correct human error that you do not know when it is going to come or why.

LESSONS LEARNED FROM "EXXON VALDEZ" OIL SPILL

Mr. CONTE. One of the things that I noticed when I spoke with the Coast Guard personnel who participated in the cleanup up there was the wide range of perspectives of the effectiveness of the cleanup efforts, what should and should not have been done. Who in the Coast Guard is compiling all these suggestions and insights in order to improve oil spill response? You can almost write a book when you start talking to them up there.

Admiral YOST. Yes. And we are doing that. We have a historian assigned up there to—historian is a poor word, but it is the only one. We have a Coast Guard officer who has nothing in his duties but to write what happens day-to-day on that spill: what went right; what went wrong; what we needed; what we did not have; et cetera. We used a lot of that in the Huntington Beach spill. We had just rewritten the contingency plan for Huntington Beach. And that contingency plan was put into action, as I testified a little earlier, within two hours. Worked wonderfully. Made a major contribution to the quick cleanup of that California spill.

Mr. CONTE. That is what we have learned from the Valdez spill then.

Admiral YOST. Yes, sir.

Mr. CONTE. We will have all that information for——

Admiral YOST. Yes, sir.

"EXXON VALDEZ" OIL SPILL

Mr. CONTE [continuing]. ——future generations. Some reports suggest a possibility U.S. would be partly culpable in the spill because the VTS at Valdez did not fully monitor the Exxon Valdez as it entered Prince William Sound.

Do you have any comments on that?

Admiral YOST. Yes, I do. The Valdez vessel traffic service was designed to advise vessels in Valdez arm. It was never constituted nor formed to advise vessels once they left Valdez arm, because nobody perceived that there was a danger once they left Valdez arm. The channel was eight miles wide once you got out of Valdez arm. We had a personnel error here where a man almost unbelievably ran a vessel on a reef in a channel that was eight miles wide.

Now part of the response may be that we ought to increase the coverage of that vessel traffic service to advise people in that eight mile wide channel. But if we do that, we certainly ought to do the same thing in Miami, in Norfolk, in Boston, in every port in the United States we would need a vessel traffic service if we are going to do it up there. So I do not know. It is a spasm response. Maybe we ought to go out and go ahead and expand this system to cover all of it. But what we have got is a personnel error that I do not know how we avoid. If we avoid that one, maybe somebody will find another one.

Mr. CONTE. Thank you, Admiral. I have a lot more questions. I will put them in the record and you can answer them.

Admiral YOST. Thank you, sir.

STRIKE TEAMS

Mr. CONTE. In your budget request, there is $7 million for national strike force equipment for oil spill response. What kind of equipment will you procure, and where do you think the greatest need for strike teams is?

[The information follows:]

The budget requests $7 million for strike force equipment, which includes provisioning of an additional strike team, for which the following general items of equipment would be required: open water booms, Air Deliverable Anti-Pollution Transfer System (ADAPTS) pumps, communications gear, personnel protective gear, temporary storage containers and skimmers.

In addition to equipment purchases for an additional strike team, the request includes funds to procure the following equipment to enhance the capabilities of existing strike teams: recovery equipment for heavy oils, cellular phones and handheld VHF radios (for common frequency among response personnel) and replacement of existing equipment as necessary.

The Coast Guard is currently evaluating a number of factors to determine the most effective location for addition strike teams. Among these factors are: proximity to land and water based transportation, projections of oil transportation patterns, historical record of oil spill occurrences, relative availability of commercial response capabilities, and proximity to environmental sensitive areas.

Mr. CONTE. That $7 million is for equipment, not for personnel. Have you requested funding for strike team personnel?

[The information follows:]

The FY 1991 budget does not contain a request for strike team personnel. However, it does include a request for equipment for a third strike team.

The FY 1991 budget was prepared in early Spring of 1989, prior to passage of either the House or Senate oil spill bills. At that time, the requirement for additional strike team personnel was unclear.

OIL SPILL LEGISLATION COSTS

Mr. CONTE. Much of the Coast Guard oil spill response efforts will be contingent on what comes out of the Conference on the Oil Spill Response bill. Do you as yet have any estimates of costs for your new responsibilities under the oil spill bills, and have you anticipated any of those costs in your fiscal 1991 budget request?

[The information follows:]

We have developed estimates on the costs of new responsibilities for the Coast Guard under both the House and Senate oil spill bills. Initial implementation of the House bill would require 453 FTE and $63 million. Initial implementation of the Senate bill would require 558 FTE and $72 million. In either case, implementation will be phased over three years. Additionally, we anticipate that the many studies contained in either bill will result in substantial out-year resource requirements that are not included in our cost estimates; e.g., vessel traffic service systems, vessel safety regulatory packages, etc.

The Marine Environmental Protection Initiative contained in the FY 1991 budget represents only a small fraction of the resources that will be needed to meet the new responsibilities anticipated under the pending legislation. That initiative was developed in the Spring of 1989 prior to passage of either the House or Senate oil spill bills. While it did anticipate many of the areas in which additional resources would be required, the estimated level of resource need was very low. It is essential that a comprehensive staffing and funding arrangmeent be developed, subject to appropriations, to assure that the Coast Guard can carry out the assigned tasks without detriment to existing mission areas.

RESTORATION OF BUDGET CUTS

Mr. CONTE. You requested $41.7 million for a one-time restoration of fiscal 1990 cuts. What will you do with those funds, and will they mitigate the effect of the squester and the Byrd amendment reductions?

[The information follows:]

The restoration of $41.7 million will allow the Coast Guard to continue FY90 operating levels and to restore maintenance to planned levels. The funds will offset the effects of the sequster and the Byrd Amendment reduction. The Coast Guard was able to avoid cutting operations in FY90 by a temporary deferral of maintenance which could not be repeated without adversely affecting operations, and because of the one-time use of over $20 million from Exxon which Congress directed to be deposited in the Coast Guard Operating Expenses appropriation. If the $41.7 million were not restored, Coast Guard could not sustain the current level of operations and would have to make recurring reductions of $41.7 million.

FALCON JET RELIABILITY

Mr. CONTE. One of the things that the Inspector General noted was that the only place where the Falcon jets are operating at 71 percent reliability, which is their operational goal, is in drug interdiction areas. Is this accurate, and if so, what is the reason that you are able to reach 71 percent reliability there, but not elsewhere?

[The information follows:]

Yes this figure is accurate. The overall availability of our 34 Falcon jets was 56 percent. However, we did achieve an availability rate of 73 percent for our 8 HU-25C Falcon jets which are utilized strictly for drug air interdiction. We were able to achieve this 73 percent availability by placing these aircraft at the highest priority for supply and logistic support.

DOLPHIN HELICOPTER ENGINES

Mr. CONTE. Dolphin helicopters have an intended program level of 800 hours per craft per year. The Dolphin engines have been plagued with problems, and their operational hours average 645 per year. Is the 800 hour goal reachable?

[The information follows:]

HH-65 engine problems and availability of spare parts have been the major impediments to achieving programmed hours. We are pursuing three different courses to correct the engine problems: engine improvement program; engine replacement proof of concept with the Army's T-800; and a possible commercial engine replacement candidate for a proof of concept.

Funds appropriated for FY90 for spare parts will support 635 hours per HH-65 aircraft in FY90. The FY91 request will bring this up to 645 hours. Future budget requests may seek funding to support up to 700 hours.

It is questionable that we can reach the original goal of 800 programmed flight hours without a significant increase in the number of maintenance personnel. When the HH-65 replaced the HH-52 (which was programmed at 650 hours), no additional personnel resources were provided to operational units. Our experience to date indicates that the HH-65 is more maintenance intensive than the HH-52. Part of this is due to a short sortie length of about 2 hours which cannot be significantly increased due to fuel/weight restrictions of the airframe. The short sortie length requires more maintenance manhours per flight hour and ties up the airframe for additional ground maintenance/servicing.

Mr. CONTE. Would you update us on the status of the T-800 engine tests you are conducting with the Army? What other engines besides the T-800 are you considering as a replacement? If none, why not?

[The information follows:]

The T-800 proof of concept is a cooperative effort with the U.S. Army. The Army signed a contract with Light Helicopter Turbine Engine Corporation (LHTECH), the manufacturer of the T-800, on 15 February 1990 for the proof of concept engineering and integration of the T-800 into an HH-65A. The Coast Guard is providing one HH-65A airframe, and the Army is providing the engines and program support for a 21 month, 50 flight hour integration program.

Aerospatiale Helicopter Corporation (AHC) has recently completed a survey of commercial candidates. The Turbomecca Ariel C2/CG might be a viable commercial candidate. We are considering a proof of concept evaluation on the Ariel C2/CG engine.

USER FEES

Mr. CONTE. Admiral, we've both fought for the Coast Guard User Fee, but last year the Merchant Marine Committee, and then the Budget Committee, stymied us again. I hope that 1990, the bicentennial year of the Coast Guard, will bring better luck. Are there any other user fees proposed in your budget besides the $25 decal user fee we know and love?

[The information follows:]

Yes, other user fees are proposed for services related to licensing, certification, and documentation of marine personnel, and for the inspection and examination of vessels which are documented or numbered under U.S. laws.

MOTOR LIFEBOAT REPLACEMENT PROGRAM

Mr. CONTE. We appropriated the $5.8 million to continue your motor lifeboat program last year, but required the Coast Guard to satisfy the Inspector General's recommendations. How does that project now stand? Have you worked out the problems with the IG?

[The information follows:]

The Coast Guard and the Inspector General have agreed on a plan to satisfy the Inspector General's concerns. The plan includes a review of the Detail Design drawings and design reports, the Test and Evaluation Master Plan, and the prototype test results. The prototype is under construction and will be delivered in July 1990. Under the current schedule, the Inspector General is expected to provide the necessary certification to the House and Senate Appropriations Committees by September 30, 1990.

Mr. CONTE. I am looking forward to this year with you.

Admiral YOST. Thank you, sir.

Mr. LEHMAN. Mr. Coughlin. Do you have any more questions?

Mr. COUGHLIN. I have no questions.

Mr. LEHMAN. We will adjourn until 2:00. I see we have a vote coming up anyhow.

OIL SPILL LEGISLATION

Mr. LEHMAN. We will reconvene the Subcommittee.

Admiral, as I understand it, the new legislation would supplant the section 311[k] pollution fund, deep water port fund, and offshore oil fund. How much is included in each of these funds, what would happen to these balances, and when would the existing funds be terminated?

Admiral YOST. Mr. Chairman, under the House bill the 311[k] fund would be returned to the Treasury. There is $20 million in the

311[k] fund. In the Senate bill, that $20 million would go in to the new fund, but in the House bill, it would be returned to the Treasury. The offshore oil fund is $154 million. That would be subsumed into this new fund under both bills. And the deep water port fund is $5.6 million. That would be subsumed into the fund under both bills.

Mr. LEHMAN. To what extent will the Coast Guard provide the staff for the regional oil spill response teams or the federal strike force? What is the estimated cost to the Coast Guard for these teams, and will this require appropriations?

Admiral YOST. I think it would, sir. Under the House bill, it will require five additional strike teams; 150 FTE; $9.9 million OE; and $25 million AC&I. Under the Senate bill, we would have six additional teams, and that would be 208 FTEs; $10.3 million OE; and $30 million AC&I. And all of that would have to come out of appropriated funds unless we can somehow open that new fund to fund that.

Mr. LEHMAN. We are a long way from conferencing this, and I imagine we may be premature in asking these questions.

Admiral YOST. It may be reduced.

Mr. LEHMAN. But we should have them on the record.

Admiral YOST. Yes, sir.

Mr. LEHMAN. I believe both bills provide for expanding oil spill research and development programs. To what extent will you participate in this, and will this require appropriation action also?

Admiral YOST. Well, in this fiscal year, it has already been appropriated. We have $4.5 million in the R&D funds for this purpose. Our five year projection, that is from 1991–1995, will require $25 million. The Coast Guard seeks designation as the inter-agency coordinator for federal oil pollution R&D effort. In other words, a lot of the agencies are going to be doing R&D on oil spills. I think the legislation ought to designate the Coast Guard as the coordinator of this so we do not have a lot of overlap.

Mr. LEHMAN. Is that 25 the 5-year total, or is that for the whole 5 years?

Admiral YOST. That is the whole five years.

NEW BUOY TENDERS

Mr. LEHMAN. I believe the House-passed bill also requires new Coast Guard buoy tenders to be equipped with oil skimming systems. Is this equipment included in the design of your new buoy tenders, or would the old buoy tenders be retrofitted?

Admiral YOST. The old buoy tenders are now between 40 and 50 years old. I would not intend to retrofit those. But the new design—we stopped the design last year and went back to the drawing board to design an oil spill capability in these vessels long before the House bill anticipated that. So we will be ready to start building these vessels—the prototype—design and build in the next couple of fiscal years. And they will have this capability.

VTS USER FEES

Mr. LEHMAN. Section 306 of the Senate passed bill will permit the collection of user fees that would be credited to the Coast

Guard account for vessel traffic services. How much are you currently spending to construct, install, improve, and operate VTS systems? And what portion of the VTS cost could we recover this way?

Admiral **Yost**. I do not know any way of recovering any money to do this unless we somehow are able to recover it out of this new fund. There is no mechanism to do that.

Mr. **Lehman**. What I think I am trying to get to is, can these user fees be substituted for appropriations?

Admiral **Yost**. I see. We do not have a good way of charging user fees for vessel traffic services. Now it is done in Europe, but each of the vessel traffic services in Europe is funded by the port that it is in. It is a port development thing, and they charge user fees that, in addition to other things, pay for the aids to navigation and the vessel traffic services in that port. When we have a federal system, it is difficult to see how we could use user fees to pay for it, since a port who has a vessel traffic system might feel—well, I do not see how we would do that.

Mr. **Lehman**. Implicitly, do you support the Senate's version or position on these user fees?

Admiral **Yost**. I am not sure what that is.

Mr. **Lehman**. Is it going to help solve some of your funding problems?

Admiral **Yost**. We do not favor VTS user fees. That is, we oppose user fees for VTSes. We support the House bill's position which is silent on that. It is just the difficulty of collecting them. It will cause an argument between ports of which port ought to get them and which ought not. The whole nation pays for them. That is a problem.

Mr. **Lehman**. We have some very complicated differences that are going to have to be worked out on this to end up with a bill that really serves the purpose. I think one of the most important things we have to do is to prevent the problem from happening.

Admiral **Yost**. Well that was the case in the *Exxon Valdez*. We are going to a lot of trouble up there to upgrade the vessel traffic service. The fact of the matter was the vessel did not go aground because of the vessel traffic service. It went aground because of a piloting error. Now you asked how much money are we spending. The only money we are spending now on installing a VTS is up in New York. It is in three phases. $5.6 million is the first phase, and that came out of *Exxon Valdez* money. The second phase is $6.9 million. The third phase will be $4.3, for a total of $16 million. And then it is going to cost us $2.5 million every year to operate. So if we have a number of these things, it certainly increases the cost of operating.

Mr. **Lehman**. We need to do something after it happens, but we need a lot more of prevent aspect.

Please provide specific figures by system for the record.

[The information follows:]

The only Vessel Traffic Service (VTS) construction and installation project in progress is the reopening of VTS New York. If appropriations are provided, this project will be done in three phases and will cost a total of $14.5 million. Annual operating costs will be $2.5 million.

Phase 1 cost is	$3,300,000
Phase 2 cost is	6,900,000

Phase 3 cost is	4,300,000
Total	14,500,000

Improvements of existing systems are underway in Seattle and Houston-Galveston. The Seattle project includes expansion of surveillance to Tacoma and equipment upgrades in the vessel traffic center (VTC) for $4 million. VTS Houston-Galveston will receive a new tracking computer in July 1990 for $1.6 million. The total investment in ongoing improvement projects is $5.6 million. Improvements are being planned for other VTSs as we routinely replace equipment that reaches the end of its useful life.

Operating costs for existing VTSs are $6.5 million annually for personnel and maintenance. Individual costs are as follows:

Houston-Galveston	$2,000,000
San Francisco	1,100,000
Puget Sound	2,900,000
Valdez	500,000
Total	6,500,000

COAST GUARD RESPONSIBILITIES UNDER BILL

Mr. LEHMAN. Are there other responsibilities that the Coast Guard would have under these bills that would not be financed directly out of the trust fund?

Admiral YOST. Well, I think there is going to be a significant new level of tasking by this bill that is being conferenced. We see that we are going to have to review plans for vessels and facilities. We are going to have to review merchant mariner's documents that we have never done before and look at the criminal record of these people and check their drug abuse and alcohol abuse. That is 18,000 new transactions each year that we are not doing now.

We are going to have to field strike teams, seven in the House and eight in the Senate bill. We have two now. And I have already given you the cost of those strike teams. We are going to have to implement new regulations on double hulls, and that is going to require FTE for inspection to inspect the retrofits and the building of the retrofits. Multiple studies are going to have to be made.

Mr. LEHMAN. It seems to me, if I may interrupt, Admiral, that if this final version of this legislation provides you with additional duties but not the availability of the resources from this trust fund to be able to fulfill these duties, it will put you in a bind in the appropriation process because of these additional commitments.

Admiral YOST. I agree. And the feeling may be that we ought to take it out of our OE. And I just will not do it. It will cause us to shut down things and break the law in that Congress has told us, "Do not close any stations. Do not go below a certain floor in drug interdiction."

Mr. LEHMAN. So much legislation seems to come out that is well meaning, but nobody realizes some of the unanticipated effects it might have.

Admiral YOST. It does not. And I would think that it would start right with the budget committee, if they are going to do this, that they would start to allocate.

Mr. LEHMAN. Please expand on your answer for the record, including the estimated costs.

[The information follows:]

The Coast Guard will be assigned many new responsibilities by this legislation: review and approval of thousands of contingency plans; annual renewal of up to 18,000 additional merchant mariner's documents and records checks for 55,000 license transactions; creation of up to seven regional strike teams with requisite equipment, facilities, and trained personnel; increased oversight and direction of an estimated 8,000 oil spills occurring annually; creation of a computerized international spill response inventory; research and development for pollution prevention and response; enhancement and expansion of vessel traffic systems; drafting and implementation of new regulations; completion of several complex studies such as double hulls/double bottoms, cargo outflow sensor gauges, navigation safety, and merchant vessel manning; and administration of the $1 billion Oil Spill Liability Trust Fund including paying third party claims, monitoring and auditing state access to the fund, paying damage assessment claims, federal contracting for pollution response, and cost recovery including claims and litigation.

Initial implementation of the House bill would require 453 FTE and $63 Million. Initial implementation of the Senate bill would require 558 FTE and $72 Million. In either case, implementation would be phased over three years. In addition, we anticipate that the many studies and regulatory packages will result in substantial out-year resource requirements that are not included in our cost estimates.

Clearly the Coast Guard cannot absorb new responsibilities of this magnitude within existing appropriations. It is essential that a comprehensive staffing and funding arrangement be developed to assure that the Coast Guard can carry out the assigned tasks without detriment to existing mission areas.

DRUG ENFORCEMENT

Mr. LEHMAN. At this time, on drug enforcement questions, I would like to yield to the Ranking Minority Member of the Select Committee. What is the name, please?

Mr. DELAY. Narcotics Abuse and Control.

Mr. LEHMAN. Perhaps Mr. Coughlin, you would like to yield when he is ready to your own Member on that side for questions.

Mr. DELAY. Thank you, Mr. Chairman and Mr. Vice Chairman. I appreciate it. There are several questions. How are you, Admiral Yost?

Admiral YOST. Just fine, sir.

Mr. DELAY. You have been an awful busy man of late, I will tell you.

Admiral YOST. Some of it has been a pleasure. We have gotten a lot of publicity. Some of it has been good, sir.

Mr. DELAY. I think most of it has been good, Admiral. You have handled yourself very well, and you are a credit to the Coast Guard. And I appreciate it. There are a couple of questions on drug seizures I would like to ask. I understand that Houston has been named one of the five high intensity drug trafficking areas. Are your drug seizures in the Houston area increasing or decreasing? And could you please provide some information about the nature of those seizures?

Admiral YOST. Yes. Though I understand Houston has been designated as a high trafficking area by the national strategy, I think that that is because of the land motion of drugs in and out of Houston. We have very little sea transportation in and out of Houston of drugs. We have had no seizures in Houston. There are no Coast Guard assets in Houston with an anti-drug mission as their main focus. We do have a significant marine safety presence there, obviously, because it is a major port. The Coast Guard anti-drug strategy is to stop the drugs before they get into the Gulf of Mexico anywhere near Houston.

Mr. DeLay. I see. Could you describe the program Blue Lightning in Houston?

Admiral Yost. Yes. I can to some degree. It is a Customs program. Blue Lightning is a program that puts ashore a communications center and a forum for meetings of state, local, and federal officials. And they hold meetings of law enforcement officials; plan strategies that bring the state and locals into the operation; and very often run Customs small boats in the area to try to interdict close-in drug smuggling.

Mr. DeLay. Is there going to be any increase in the Coast Guard's resource commitment to the Texas coast? Do you have any plans to take the position that since Houston and the Texas coast is one of the five high intensity drug areas, do you see the need for higher resource commitment? Just because you are not seizing does not mean it is not there.

Admiral Yost. No. And we talked about that this morning with Mr. Coughlin that seizures are not necessarily a good measure of how effective you are being, because the deterrence of having the units there is very important. And we talked about that with Mr. Wolf, as well, on the fast boats that we are using.

But on the Texas coast, we now have 33 Coast Guard units. Two of them are air stations that have a total of 10 helicopters and other aircraft with them and 155 military personnel. We have got seven cutters with 217 military personnel; 24 shore units—and that includes the vessel traffic system in Houston/Galveston. And that comprises 652 military and 38 civilian. We have 33 small boats at the various stations. So we have a fairly major force on the Texas coast with a drug interdiction mission, but that is not their primary focus, because there is not that much drug interdiction being done there. But it is a deterrence when they are out on patrol doing anti-drug patrol.

PATROL BOAT ENGINES

Mr. DeLay. I have a lot of questions, Mr. Chairman. I am going to skip over and come back on another round, but I do want to talk about engine and Island class and Heritage class boats that are being built for the Coast Guard. On the Island class boats that are being built, I understand there are—how many—12 boats that are in the process now?

Admiral Yost. Yes. 37 boats have been contracted and are either floating or will be off the ways shortly. We then got an extension. We had 12 options on that contract, and out of the DOD budget last year, we funded those 12 additional boats.

Mr. DeLay. Has the VEC recommendation that recently was submitted from Bollinger Shipyard concerning engines that drive these island class boats been accepted by Secretary Skinner?

Admiral Yost. It has.

Mr. DeLay. What were your observations regarding this VEC recommendation by Bollinger?

Admiral Yost. Well, I saw the proposal as having both negative and positive effects to it. I looked at these very carefully, the major points both positive and negative. I discussed them very thoroughly with my Secretary. And although that type of a proposal is normally something that I would handle as Commandant without reference to the Secretary, it did appear to have some major cost and political overtones to it, and so I felt that it made sense to discuss it with my Secretary. I did.

After that discussion and following that discussion, the decision was made to accept the Value Engineering proposal to put the Caterpillar engines in the boat.

Mr. DeLay. Did you favor the engine change from Paxman to Caterpillar?

Admiral Yost. I saw that it had a number of positive aspects. It also had a number of negative aspects. And as I say, after discussing it with the Secretary, the decision was made to go with the Caterpillar engine.

Mr. DeLay. Could you tell me some of those negative aspects that you discussed with the Secretary?

Admiral Yost. Yes. One negative aspect that I discussed with the Secretary is that the Caterpillar engine has a reduced power margin; has a power margin of only 4 percent. It drives the boat at a maximum speed of only 29.5 knots, where the Paxman's power margin was 15 percent at 29.5 knots, with a maximum speed of 30.6 knots. The Cat engines were more stressed at maximum speed. In fact, at all speeds they were more stressed.

The Caterpillar engine departed from the 3350 horsepower requirement and went down to a 2970 horsepower for the Island class. It had a shorter overhaul interval than the Paxman. That will reduce operational availability somewhat. It had no deployment flexibility in that the deployment packages for these boats to deploy overseas in the event of war were based on the Paxman support package that we had developed.

The engine was not proven in service. The Cat engine had passed the Navy thousand hour certification, but was not yet in service at the rated power. And Paxman is operating reliably on all 37 WPBs I currently have. There would be less standardization. I would have 24 Cat engines and 74 Paxman engines. That makes configuration management a little more complex. I would have increased training and logistics support for the Cat engines, because it is an additional engine in the inventory.

And I saw a possibility that Paxman might take us to court on the engine over the specification, and thereby get an injunction or in some way hold up the building of these 12 boats. Those were the negative aspects. I have as many positive aspects I also told the Secretary about.

Mr. Lehman. Excuse me. Mr. DeLay, would you continue with your questions? I am going to run vote and come on back.

Mr. DeLay. All right.

Mr. Lehman. And then when you go, you can adjourn the meeting until I return.

Mr. DeLay. Okay.

Mr. Lehman. But there are going to be two votes, I think.

Mr. DeLay. That is a quorum call, is it not?

Mr. Lehman. No. It is a vote.

Mr. DeLay. Oh, it is a vote in five minutes.

Mr. Lehman. They are 15 minute and five minute votes, so we will be out in about 20 minutes.

Admiral YOST. All right, sir. You are going to leave me with Mr. DeLay——

Mr. LEHMAN. We leave you with Norm——

Mr. DELAY [continuing]. For 15 minutes. I think he is really going to have me in that time.

Mr. LEHMAN. I hope you are here when we come back. Norm, I am going to vote. Tom DeLay has the floor.

Mr. DICKS. All right. I will wait.

Mr. LEHMAN. You may work it out between you.

Mr. DELAY. Okay.

Admiral YOST. Maybe Mr. Dicks will protect me while you are gone.

Mr. DICKS. I will do that, Admiral. Count on that.

Mr. DELAY. Well, if it is okay with the Chairman, I know Mr. Dicks has some questions and probably does not want to come back after the vote.

Mr. DICKS. That would be great. Are you going to come back?

Mr. DELAY. Yes. I will be back.

Mr. DICKS. You will yield to me, then?

Mr. DELAY. I would be glad to yield to you right after I ask just a couple of things.

Mr. DICKS. That would be very kind.

Mr. DELAY. I would be glad to. I just want to finish this thought. I wholeheartedly support initiatives that save the taxpayers money, but I do not favor decisions that are made in haste that may save a few dollars now, but end up costing much more down the road. One area you point out is, I think, very significant in this issue of procuring diesel engines. Would you reiterate for me how many boats, ships, or any marine craft does Caterpillar engine currently have engines in?

Admiral YOST. That particular Caterpillar engine has not run in any boat anyplace. In fact, it would be fair to say that, except for the test stand that it ran the 1,000 hour test, that particular engine as presently configured with the pistons and what have you that it has in it has never run anyplace but on that test stand.

Mr. DELAY. I tell you what. I am going to yield to Mr. Dicks so that he can have plenty of time to ask his questions so he will not have to return.

OIL SPILL PREVENTION AND RESPONSE IN PUGET SOUND

Mr. DICKS. I appreciate that very, very much, my colleagues, and the kindness here. So I will get right to it, Admiral. How are we doing in Puget Sound overall in terms of strengthening our capabilities to deal with oil spill potentials and upgrading the VTS system?

Admiral YOST. Well, in Puget Sound, we have reviewed the contingency plans in Puget Sound as we have in the rest of the world. And we have upgraded those contingency plans to reflect a much larger spill than any of the contingency plans had contemplated before the *Exxon Valdez.* Proof in the pudding, not necessarily in Puget Sound but in another area not too far from there, was at Huntington Beach when we had a massive spill. That new contingency plan worked extremely well. In Puget Sound last week, we held a major oil spill drill with the new contingency plan. It went very smoothly. We learned some lessons, and we are making those changes in the plan.

Mr. DICKS. Are we still short equipment? Is that still a major problem?

Admiral YOST. There has been no new equipment purchased since the *Exxon Valdez.* We have not had any appropriation to do that, and I have just testified that this oil spill bill that the House and Senate are now looking at could mean as much as $70 some million, much of that for new equipment—no appropriations, only authorization. I do not see in the offing any new equipment.

Mr. DICKS. What about the companies themselves? We have the Clean Sound Cooperative there. Are the private companies and their own consortiums putting more money into equipment?

Admiral YOST. I cannot tell you that. If they are, I do not think it is an order of magnitude more. I am sure they do replacement and probably there was some increase. And PIRO is being stood up by the oil companies, but I do not think we have an order of magnitude increase in equipment since *Exxon Valdez.*

Mr. DICKS. So your testimony is we are still very short of equipment and we are planning for larger spills, but we do not have equipment to deal with them.

Admiral YOST. We are planning for a larger spill. We are planning to bring in equipment from other parts of the country, just as we had to do in *Exxon Valdez.* It is very expensive for each section of the country, let alone each port to have enough equipment for an oil spill of significant size.

Mr. DICKS. So then we just have our west coast facility, and then one down in the Gulf? Are we just down to two?

Admiral YOST. We are down to two strike teams. And we have got a very, very good situation south of San Francisco. There are a lot of oil spill consortiums there. There are a lot of companies and contractors. As you go north of San Francisco, it is not as good until you get up to Puget Sound. Then you have got considerable in Puget Sound.

VTS PUGET SOUND

Mr. DICKS. Okay. Last year, we had a little bit of money for the upgrading of the VTS system on Puget Sound. Can you give us a status on that?

Admiral YOST. We expanded the VTS all the way to Tacoma. We planned to do it. We have not——

Mr. DICKS. We gave you the money to do it.

Admiral YOST. There will be four new radars——

Mr. DICKS. When can we get that done?

Admiral YOST. $4 million was funded last year. It is being designed now. We are in design stage. I would be surprised to see it in place in less than a year.

Mr. DICKS. Okay. For the record, can you tell us when the expansion will be completed and when will the upgrade be completed? Obviously, we would like to see it done. It has got to be done properly, and with procedures——

Admiral YOST. It will be between one and two years, but I will respond for the record if you like.

Mr. DICKS. And for the record, also describe the capabilities of the upgraded system, as compared with the current system.

Admiral YOST. All right.

[The information follows:]

The expansion of VTS Puget Sound to add surveillance to Tacoma is linked to the upgrade of the vessel traffic center. The expansion to Tacoma will require the installation of two new radar sites. Bringing the radar signal into the Traffic Center will require merging three existing radar inputs with the two new inputs. This will be done by digitizing the raw radar, relaying it by telephone line to the center, and displaying it at the Traffic Center on new state-of-the-art computer-assisted composite displays.

The installation of the two new radar sites is expected to be completed by December 1991. The Traffic Center upgrade should be completed by September 1992. This time line is an ambitious one, given the extent of the required integration.

Developing a Statement of Work (SOW) to build and install integrated composite displays takes significant engineering and contracting time. There may also be substantial lead times for procurement, since these systems are not available off-the-shelf.

The upgraded system will have the following capabilities over the current system: a computerized composite display capable of permitting input from several sensors; display of vessel identification information; automatic tracking; preset danger alarms; and computer generated reports.

Mr. DICKS. Will last year's appropriations be sufficient to complete the expansion and upgrade?

Admiral YOST. All the way to Tacoma. Yes.

Mr. DICKS. What about the upgrades of the rest? Will the upgraded system eliminate the blind spot in Rosario Strait?

Admiral YOST. No.

Mr. DICKS. What would be needed to do that?

Admiral YOST. Maybe I had better turn that over to my budget man.

Mr. DICKS. Right. Good. He seems to be very well prepared here.

Admiral YOST. He is writing notes and he could talk to you better than he could write to me.

Mr. DICKS. Go ahead.

Captain SPADE. Mr. Dicks, we estimate right now that that would cost approximately $1.2 million to upgrade the coverage in Rosario.

Mr. DICKS. Remember we were looking at the computer systems they have in the command and control system. They were kind of outdated. Does this $4 million that we have in there fix those up as well, or get the more modern technology?

Captain SPADE. We hope to integrate the upgraded processors so that the information can be processed by the computers in the vessel traffic center as part of the $4 million project which upgrades the system going to Tacoma. And because of that upgrade and the additional computer capability, then it can handle the extra information that could come later if the Rosario addition were made to the system. In other words, the increased capacity of the system would handle future upgrades.

Mr. DICKS. Are you planning to replace the remote radar stations in Puget Sound? When? What role do these remote radars play in the upgraded system? Are they limiting coverage? Is an upgrade necessary in their transmission capabilities? What is the projected cost and should the timetable of their replacement be stepped up?

[The information follows:]

Our present plans are to expand VTS coverage to Tacoma and upgrade the Vessel Traffic Center using funds appropriated in FY90. To accomplish the expansion we will add two new radars, identical to the ten radars already in the VTS Puget Sound scheme. Since the existing radars will not longer be economically serviceable beyond 1995, our long term plans are to replace all twelve radars in 1995 with a new high resolution shore-based radar system.

The existing 10 radars provide surveillance for most of Puget Sound. Replacement of these will not change the area currently covered by radar. The power output of the radars now in use is more than adequate for the area to be covered; their transmission capabilities need not be increased. The 1995 radar replacement project will cost an estimated $5.7 million. Replacement of the existing radars before then is not necessary.

DOUBLE HULLS FOR TANK VESSELS

Mr. DICKS. Okay. I have some additional questions here I would like to ask. One thing I would like to ask the Admiral, what is the Coast Guard's position on double hulls?

Admiral YOST. The Administration's position on double hulls is that we see double hulls in certain accidents being a help—being something that would reduce the outflow and the spill of oil. In some other accidents, it could be just the opposite. Our position is we would like the legislation to give the Secretary of Transportation some leeway to substitute for double bottoms or double hulls other new innovations that might give the same level of safety, rather than just requiring double bottoms on ships.

Mr. DICKS. You know the House has taken a very strong stand on this. What was the difference between the requirement with liquid natural gas that it be transported in double hulls, but in oil we say maybe this is not the right way to go? Why is that?

Admiral YOST. I think liquified natural gas they wanted to have the entire cargo inside a buffer because of the explosive and fire nature of that cargo. Oil is not quite so explosive.

NORTH PACIFIC FISHERIES ENFORCEMENT

Mr. DICKS. One final question, and I appreciate my colleagues being patient. What is the Coast Guard doing to enforce fishing laws and regulations in the North Pacific and Bering Sea, particularly with regard to drift net fishing and illegal fishing out of the so-called doughnut hole in the Bering Sea? What is the priority of fisheries enforcement?

Admiral YOST. Well, fisheries enforcement is our highest priority in the Gulf of Alaska and the Bering Sea. And the doughnut hole is a very major problem and an anomaly in international law in that it is an area surrounded by fishery zones of other countries, Russia and our own, but that has some high seas in the middle of it. Now the problem with the doughnut hole is not that it is being over-fished necessarily.

The problem is that foreign fishermen go into the doughnut hole. It is international waters. They do not have to have a license, et cetera. And when there is no Coast Guard airplane in the area or no ship, they can very rapidly go into the fishery zone of the

United States; take fish; and jump back into international waters, in and out. And it gives us a very tough detection problem.

Mr. Dicks. Have you ever asked the DOD to help you on this issue at all?

Admiral Yost. I think we do have DOD helping when they are over-flying that area. We are getting information from the P-3's in that area.

Mr. Dicks. How successful have your efforts been to catch fish vessels illegally fishing in this area?

Admiral Yost. The success rate has been relatively low. We have gotten some. We have focused on it. And it is a very divisive issue, and the Alaskan Delegation and I discuss it often.

Mr. Dicks. Okay. Good. I have got a series of other questions I would like to ask for the record, if the Chairman would allow and he will. So we will wait now and go over and vote and be right back. Thank you.

Admiral Yost. All right, sir.

Mr. Dicks. What resources—financial, equipment, and manpower—are committed to fisheries enforcement in the North Pacific and Bering Sea? How successful have these efforts been?

[The information follows:]

Coast Guard cutters, aircraft and people are multi-mission capable . . . they may perform search and rescue, drug law enforcement, fisheries law enforcement, and pollution response missions all in the course of a normal patrol. Because of this, it is difficult to identify a single cutter, aircraft or person dedicated solely to fisheries enforcement. However, we can identify resource hours associated with our cutters and aircraft performing a particular mission, such as fisheries law enforcement. Provided below are the actual aircraft hours and cutter hours for fiscal years 1987, 1988 and 1989.

[In fiscal years]

	Pacific area domestic fisheries			Foreign fisheries		
	1987	1988	1989	1987	1988	1989
Aircraft (hours)	1,104	1,146	1,213	1,225	1,189	3,225
Cutter (hours)	8,168	10,078	15,527	10,154	6,953	9,669

Our increased patrol efforts, noted in the figures above, have resulted in increased protection of U.S. interests. During calendar year 1989, the Coast Guard had a number of significant cases involving foreign fishing vessels . . . three involved Taiwanese vessels illegally catching salmon on the high seas. The high visibility of these cases . . . together with the severity of the offenses . . . ultimately contributed to the strength of the U.S. negotiating position, which led to ratification of the U.S./Taiwan Driftnet Agreement in the late summer of 1989. That ratification triggered the South Korean Government to also enter a bilateral driftnet agreement with the U.S. shortly thereafter.

During 1989, the Coast Guard seized four foreign vessels fishing illegally within the U.S. Exclusive Economic Zone (EEZ) near the Bering Sea "donut hole." These cases involved a Soviet vessel, two South Korean vessels, and a Polish vessel. The Coast Guard also seized a Japanese vessel for conducting illegal fishing support operations within the U.S. Territorial sea along the Aleutian Island chain.

Mr. Dicks. How can the Coast Guard's ability to catch vessels illegally fishing in that region be improved?

[The Information Follows:]

The high seas driftnet agreements reached in the summer of 1989 contain provisions which will improve the Coast Guard's ability to catch vessels involved in illegal salmon fishing. The Taiwanese and Korean agreements contain provisions which authorize Coast Guard boardings on those countries' driftnet and transport vessels. The Japanese agreement does not contain this provision because the Coast Guard already had this authority under the International North Pacific Fisheries Convention (INPFC). This boarding authority better enables the Coast Guard to detect evidence of illegal fishing by allowing access to equipment, holds, fishing logs and charts. All three agreements contain provisions *requiring* the use of transmitters on the driftnet vessels. This will enhance the Coast Guard's ability to detect and identify candidates for boardings/violators.

The Coast Guard is in the process of installing AN/APS-137 surface search radars on all of its HC-130 aircraft. This radar greatly increases the surface search capabilities of the aircraft. The radars are scheduled to be installed in Kodiak, Alaska, this year. The Coast Guard has also been testing Forward Looking Infrared Radar (FLIR) in various locations on the HC-130 aircraft. This could improve the aircraft's ability to determine the activity of the vessels at night and in reduced visibility; however, until these tests are completed, it is premature to draw any conclusions.

Mr. DICKS. Under the Magnuson Fisheries Conservation and Management Act, the Coast Guard is authorized to enter into cooperative agreements with other branches of the government to assist in the effort to enforce U.S. fisheries laws and regulations. Could the Department of Defense assist the Coast Guard in enforcement efforts? Have you asked DOD for assistance? If so, what was the response?

[The information follows:]

DoD now provides assistance on a "not to interfere" basis with primary DoD missions. The Navy and Air Force provide sighting information in the North Pacific and Bering Sea. As available, Navy P-3 flights are provided out of Adak, Alaska, and California. Air Force AWAC flights are provided out of Elmendorf AFB, Alaska. These flights have assisted Coast Guard fisheries enforcement of the high seas driftnet fleets and the Bering Sea EEZ adjacent to the "donut hole".

The Coast Guard's surface patrol enforcement efforts also benefit from indirect DoD assistance. Navy ships carry Coast Guard Law Enforcement Detachments (LEDETs) to drug interdiction areas of interest which, in turn, frees up more Coast Guard cutters to patrol other areas such as the fishing grounds. The Navy has also provided logistics support for Coast Guard fisheries operations. Support was provided in Midway during the detention of the Taiwanese driftnet vessel TA CHIEH NO. 3 which had been discovered illegally fishing for salmon in the North Pacific in June 1989.

DOUBLE BOTTOMS FOR TANK VESSELS

Mr. COUGHLIN. Thank you, Mr. Chairman. Before we go on to drug enforcement, could I just do a couple of questions on spills? On the question of double bottoms, would that have helped on the Exxon Valdez spill in Alaska or not?

Admiral YOST. Yes, it would. Our figures show that approximately a third of the oil spilled in the Exxon Valdez would not have been spilled had that vessel had double bottoms.

Mr. COUGHLIN. How about the California accident?

Admiral YOST. It is probable that none of the oil would have been spilled in the California accident if the ship had had double bottoms.

STRIKE TEAMS

Mr. COUGHLIN. In terms of oil spill strike teams, would this be federal equipment and national strike teams or private equipment attached to a terminal that you are talking about?

Admiral YOST. We are talking about a federal strike team, similar to the two we have now, with a significant amount of capital equipment assigned to them and air transportable to wherever we need it.

Mr. COUGHLIN. So this is not private equipment attached to a terminal?

Admiral YOST. No, sir.

MARPOL

Mr. COUGHLIN. The international convention for the prevention of pollution from ships which is MARPOL regulates discharges from ships in each of five annexes: oil, chemicals carried in bulk, chemicals carried in packages, sewage, and garbage. Annexes one, two and five have entered in force. Annexes three and four await ratification from nations representing 50 percent of the world's shippage tonnage before they go into force.

Negotiations are under way to make them more attractive for ratification without weakening them. The Coast Guard and the State Department share responsibility for conducting these negotiations. What is the status of that?

Admiral YOST. We are going to have do it for the record, sir.

Mr. COUGHLIN. Okay.

Admiral YOST. I cannot give you the status of that negotiation.

[The information follows:]

ANNEX III of the International Convention for the Prevention of Pollution from Ships, 1973, and the Protocols relating thereto, 1978 (MARPOL 73/78), which regulate discharges of packaged harmful substances, was sent by the President to the Senate on November 9, 1989, for advice and consent to ratification. To date, the Senate has not completed action on this matter. Annex III will come into force 12 months after ratification by the United States.

ANNEX IV of MARPOL 73/78, which regulates the overboard discharge of sewage, is still in negotiation and under consideration by the United States. Currently, many major shipping countries, including the USA, have reservations on some Annex IV provisions which would require a significant increase in cost to vessel owners with little or no effect on environmental protection. Annex IV has been accepted by 33 countries representing 39.75% of the world's gross registered tonnage. Although ratification by the United States would provide an additional 5 percent, the total would still fall short of the 50% required to bring the Annex into force.

LIABILITY AND COMPENSATION FOR SPILLS

Mr. COUGHLIN. And then efforts are under way to reach international agreement on establishing liability and compensation for spills of hazardous and noxious substances from ships, the HNS conventions. The Legal Committee of International Maritime Organization is conducting these negotiations. Do you know what the Coast Guard's role is in that, and how close you are to agreement on compensation for victims of spills?

Admiral YOST. No, I do not. I know that we are involved in it, and that my chief counsel leads our delegation in it. But I cannot tell you where we are in it.

Mr. COUGHLIN. Could you also provide that for the record?

Admiral YOST. Yes, sir.

[The information follows:]

The International Maritime Organization (IMO) Legal Committee is currently considering the complex and controversial question of liability and compensation related to the maritime carriage of hazardous and noxious substances (HNS). It is anticipated that this consideration will eventually result in development of a new international regime specifically designed to ensure adequate compensation for victims in the event of a major HNS incident in the maritime sector.

By way of general background, in 1982 the IMO Legal Committee completed a draft convention which provided a two-tier regime of strict liability for the carriers and shippers of certain HNS transported in bulk on tank vessels. The proposed scheme, which entailed compulsory insurance coverage for owners and shippers, would have applied to those HNS which presented severe fire and explosion, toxicity, and/or marine pollution hazards.

In May 1984, IMO sponsored a diplomatic conference which took up the draft HNS Convention, as well as draft protocols updating both the 1969 and 1971 Oil Spill Conventions (typically referred to as "the 1984 Protocols"). The HNS convention was not adopted because no consensus could be achieved on the fundamental liability issues, and active work on this subject was suspended until a basis for further progress could be identified.

The starting point for the resumption of HNS deliberations was a Euro-Canadian options paper submitted to the Legal Committee in September 1987. The ten-nation submission proposed that the two liability schemes most worth exploring are: (1) shipowner liability supplemented by compulsory cargo insurance; and (2) shipowner liability in the context of an overall revision of the 1976 International Convention on Limitation of Liability for Maritime Claims. The revision of the 1976 Convention would involve either raising the global limitation amounts to level adequate to compensate HNS damage, or creating a special layer of HNS liability coverage available only for HNS damage.

Since the resumption of HNS discussions, this subject was considered briefly at the 58th-60th Legal Committee Sessions and at four rounds of HNS Intergovernmental Talks in April 1988, May 1989, September 1989, and January 1990. The current consensus appears to be that a choice among the various options (of which the two leading options remain a shipowner-only 1976-based regime and a two-tier regime with cargo interests funding a second tier of supplemental compensation) must be made soon in the hope of developing an international regime before there is a major HNS disaster.

There is no question but that the international pressure to develop an international HNS liability and compensation regime—which pressure has been strong for nearly ten years—continues to intensify. If an international HNS scheme is developed and implemented, the system would have significant impacts on a wide range of U.S. interests related to industry, government and the environment.

In view of the significant potential impacts on domestic maritime and chemical interests, the U.S. Shipping Coordinating Committee has considered this matter at numerous special public meetings since October 1987. The meetings have all been well attended by the broad spectrum of affected interests and, together with numerous interagency meetings, have been very instrumental in continuing development of U.S. HNS positions.

With respect to the Coast Guard role in this process, the Office of Chief Counsel, in consultation with the Department of State, is responsible for U.S. representation before the IMO Legal Committee. The current U.S. Representative to the Legal Committee is Captain Jonathan Collom, Chief of the Coast Guard's Maritime and International Law Division. He heads the U.S. Delegation, which typically includes several Coast Guard advisors, a Department of State advisor and several advisors from the private sector.

Since the HNS deliberations resumed in 1987, the U.S. has played a very active role in both the Legal Committee and the Intergovernmental Talks. The principal thrust of U.S. efforts has been to ensure that all of the various options available are sufficiently developed so as to promote an informed choice of the best option to use as the model which will ensure adequate compensation for victims through an effective and equitable international regime.

Our assessment is that the Legal Committee is—at best—a minimum of 2-3 years away from reaching agreement on any new international regime. As noted at the outset, the subject is both complex and controversial, in many ways much more so than is the case with oil pollution liability and compensation issues.

DRUG ENFORCEMENT

Mr. COUGHLIN. We will turn to drug enforcement. According to the January 1990 National Drug Control Strategy report, your fiscal year 1991 budget includes a total of $731.5 million for drug interdiction, an increase of about $56 million, or 8 percent over fiscal year 1990. How was this level determined?

Admiral YOST. Well, the level is driven by programmatic needs. We have an increased demand in drug law enforcement mission, and that increased demand for the mission drives the need, hence the numbers. And the major increases are we need new aerostats that have been funded. We need to restore the 378 foot crews. As those vessels come out of FRAM, they need crews. We have to increase our HH-65 hours. We have got new HH-60s and so on. They are programmatic needs to match the mission.

Mr. COUGHLIN. I was this morning in a meeting on my other subcommittee where we were discussing the great sum of $60 million for drug treatment, and I guess the total we spend on drug treatment federally is about $160 million or something in that ball park now. When you compare it to $731.5 million for interdiction for the Coast Guard alone, it is sort of an astonishing comparison, is it not?

Admiral YOST. It is an astonishing comparison, but when you buy a ship you buy a very expensive item. When you buy a classroom, that is not so expensive.

Mr. COUGHLIN. This is treatment.

Admiral YOST. Even a hospital room. Whatever. I do not know what the balance of those needs are. The national strategy purports to balance those needs.

Mr. COUGHLIN. The fiscal year 1990 level for drug enforcement activities under your Operating Expenses appropriation is $567 million. What are you requesting for fiscal year 1991?

Admiral YOST. The operating expense for drug interdiction, our OE, is for 1991 $602.6 million.

DRUG WAR FUNDING

Mr. COUGHLIN. What role did Director Bennett play in determining the level of funding for your drug interdiction activities? Did he or his office review your fiscal year 1991 budget request for drug interdiction? If so, what changes, if any, were made by his office?

Admiral YOST. Well, they did participate, but let me point out that his office was not fully operational nor fully staffed at the beginning of this budget cycle. So, much of the initial parts of the cycle went on without them. I think that in this next budget cycle they are now staffed and fully operational, and they will fulfill the full requirement of the law in reviewing our budget. In this cycle, they did review the budget towards the end of the cycles. And there is nothing in this budget for drug interdiction that was not sent through and approved by Mr. Bennett's office.

Mr. LEHMAN. Did Mr. Bennett make any changes in your request?

Admiral YOST. I cannot tell you whether he made changes or not. He certainly affected the outcome of several line items that we had to clear through his office. So it was done in concert with his staff.

DRUG ENFORCEMENT RESOURCES

Mr. COUGHLIN. Your budget assumes 205,000 cutter operating hours and 35,000 aircraft flight hours for drug enforcement activities. Are these estimates the result of the funding available, or did the projected operating hours determine the funding level?

Admiral YOST. Well——

Mr. COUGHLIN. Which came first?

Admiral YOST. The hours shown for drug interdiction represents the best judgment 20 months in advance of the budget. It is a projection of how many hours that the aircraft can fly will be used in the drug interdiction mission: how much for search and rescue, how much for pollution, et cetera. So this is a projection and a guess 20 months ahead of time what we are going to need. And then what we actually use in each of these missions depends on how many Exxon Valdezes you have, how many major search and rescues you have, et cetera.

Mr. COUGHLIN. Do the hours drive the funds, or do the funds drive the hours? I think that is what the question is.

Admiral YOST. Well, I am not sure that either is true. Both are true. Capital assets are provided at certain programmed hours; for example, 1000 hours a year for an E-2C. We use that E-2C 1000 hours a year. If we do not have any search and rescue missions that call it off on search and rescue, all of it would go into drugs, where a C-130 would be a balance between search and rescue, drugs, and logistics.

Mr. COUGHLIN. What tradeoffs do you make between cutter and aircraft hours? For example, last year it was indicated that the cost per seizure for your cutters was $432,000, excluding personnel and depreciation expenses. Do you have similar figures for your aircraft that permit you to make tradeoffs between increasing cutter hours versus aircraft flight hours?

Admiral YOST. We have found that that is not possible to do, because they do a completely different mission. The ships apprehend drug smugglers. The aircraft detects and monitors them. So there is not a good tradeoff. There would be a better tradeoff between aircraft hours and the money we spend on aerostat balloons. And we do make tradeoffs there, because they are both involved in the same mission. Or how many patrol boats we buy versus how many high endurance cutters. There is a tradeoff there, because they are in the same mission.

DRUG ENFORCEMENT OPERATING HOURS

Mr. COUGHLIN. In our hearings last April, we were told that you were "on track" to meeting your fiscal year 1989 drug enforcement estimates of 31,000 flight hours and 208,000 cutter operating hours. However, you now indicate that your actual 1989 levels were 28,749 flight hours and 158,047 cutter hours. Why did these shortfalls of 7 percent in flight hours and 24 percent in cutter hours occur, and why were you not aware of the fact that you were headed in that direction by the middle of the fiscal year?

Admiral YOST. Well, the hours are driven by the situation and of course the Exxon Valdez diverted a great number of our cutter days, and some aircraft hours as well. And other search and rescue incidents, et cetera can do the same. Twenty months in advance, we only missed the total aircraft hours flown by 7 percent. I do not think that is bad. Twenty-four percent is a little bigger error, but——

Mr. COUGHLIN. This was last April that you told us that, not 20 months in advance.

Admiral YOST. Oh, okay. I guess the predictions I gave you last April when you asked me were those that had been made 20 months before we began to spend that year's budget. Maybe we should update our projections after we do the budget. I do not know. Once we make those projections and submit the budget, we are so busy with the next budget that we do not normally go back and see if we need to make a mid-term correction to the projections.

We know for a C-130 we are going to fly it between 1000 hours and 1200 hours a year. And those flight hours are always in demand. We have always got a deficit of flight hours. So if it is not flown for drug interdiction, it will be flown for search and rescue or something else.

DRUG ENFORCEMENT STRATEGY

Mr. COUGHLIN. Over the years, there has been a shift in the methods as well as the routes used to transport drugs to the United States. This is reflected in the shift to land shipments across the United States/Mexican border and the use of Canada as a route for cocaine originating in South America. What is the Coast Guard doing to adjust to the change in trafficking routes, to monitor aircraft flying into Canada via the Eastern Caribbean, and to cooperate and coordinate with Canadian officials?

Admiral YOST. We have not found a lot of drugs being flown into Canada. That is a very difficult way to bring drugs into the Central United States and the west coast. The place to bring them in is Southeast United States And if we blockade them there, they try to bring them in through the Gulf Coast, or up the Mexican border. There is no doubt some going into Canada, but that is very small. When they shift tactics, we shift tactics. And our ships and planes have been redirected to the smugglers' new routes when intelligence points out what those are.

DRUG AVAILABILITY

Mr. COUGHLIN. The recently released survey of high school seniors indicates that although drug use among this group is down, the perceived availability remains extremely high and in the case of cocaine, the level is increasing. I think you have seen a series of charts showing the use, perceived risk, and availability for marijuana and cocaine. What is your assessment of the survey? Do you believe as Dr. Bennett stated that it indicates that our efforts to fight drugs, and more importantly, individual efforts to resist them are working?

Admiral YOST. Well, I think we see some good signs, and I think I would share Dr. Bennett's feelings that there are some initial indication that drug use is down, that the realization of the risk that one puts himself under physically when he uses drugs—that realization is way up. And the availability of drugs has kind of leveled off, particularly in marijuana.

Cocaine, we still see availability high, but a lot of that availability I think is in the pipeline. I think what surprised many law enforcement agencies—certainly my own—was the amount of cocaine in the pipeline once Colombia was fairly well shut down by the Government of Colombia when they attacked the Cartels. And for a couple of months, we had almost no cocaine moving, yet we saw the availability on the street and the price remain pretty constant. And that is an indication there is an awful lot in storage and an awful lot in the pipeline.

DRUG INTERDICTION EFFECTIVENESS

Mr. Coughlin. The survey tends to confirm what others have said about the relative effectiveness of interdiction in reducing illegal drugs in the country. One recently published book states that although federal spending on marijuana enforcement has doubled since 1982, the net availability of that drug has increased by more than 5000 metric tons between 1982 and 1988.

Another recently published article concludes that since 1977, despite determined U.S. interdiction efforts, illegal cocaine imports have roughly quadrupled. This trend is also indicated by a chart which I think you have also seen. What do you believe this information indicates? Is the current interdiction program too small? Is it ineffective or improperly focused, or do we have a drug problem that cannot be solved or mitigated by interdiction activities?

Admiral Yost. I do not think it indicates any of those 100 percent, and all of them a little bit perhaps. But availability of drugs is a driver for use. When the drugs are highly available in a culture, use normally goes up and addiction goes up with use. So those things are fairly well connected. Interdiction is necessary in order to cut down the availability. And we are making a valiant attempt to do that. We have done it in marijuana.

I do not agree that the availability of marijuana is up. Certainly, it is for sure that the availability of foreign marijuana is not up. It is way down. The bad news is, we are producing a lot of domestic marijuana. And that is a local problem, a state problem, a Department of Agriculture problem, a Forest Service problem. And it is nothing that I can affect very much. But what I can affect is the amount of foreign marijuana coming into this country, and I have affected it. And it is way down.

Now in cocaine, as I have said, I think we are beginning to see a down turn in the amount of cocaine being smuggled into this country. And I know we are seeing a down turn in the amount that is smuggled by general aviation across the Caribbean. It is now going up the Mexican border.

Mr. Coughlin. But the price continues to go down. Why do you think that is?

Admiral Yost. Because there is still enough in the pipeline, and there is still enough getting into this country through other means other than general aviation and across the Caribbean. There is enough getting in to do that. I do not think that means we ought to give up in the Caribbean. We have stopped it in the Caribbean, or at least we have had an effect on it in the Caribbean. Now we need to shift with the smuggler to the other areas.

DRUG AVAILABILITY AND USE

Mr. LEHMAN. Mr. Coughlin, the price is determined by supply and demand. If the price is going down, is it possible that there is less demand?

Admiral YOST. Well, I would hope that is true. We are seeing at least an indication that there is a downturn in demand and a down turn in the use.

Mr. LEHMAN. Apparently from what we are seeing, there is less recreational cocaine use, but probably more hard core cocaine use.

Admiral YOST. Yes. The addiction is there, but we are going to get less addicts if we can keep the——

Mr. LEHMAN. What portion of the drop off in price do you think would be due to the oversupply, and what portion would be to under-demand, if you had to make a ballpark figure?

Admiral YOST. I do not know, because I do not how much drop in price there is in cocaine.

Mr. LEHMAN. According to these charts——

Admiral YOST. Over the years. Over 10 years that is.

Mr. LEHMAN. From 1981 to 1989, it is less than half price.

Admiral YOST. In 8 years, we have seen the price drop. But in those 8 years, I think that means the availability is up. The demand was fairly level, and even increasing in cocaine.

Mr. LEHMAN. You have answered my question then.

Admiral YOST. Yes.

Mr. LEHMAN. The drop in price is really due to the increased supply.

Admiral YOST. Sure. But in the last six months or three months, that is what we are looking at. And I think there are some at least hopes that there has been some change. We have not had long enough to know.

Mr. LEHMAN. Mr. Coughlin?

DRUG CONTROL STRATEGY GOALS

Mr. COUGHLIN. Thank you, Mr. Chairman. The January 1990 National Drug Control Strategy establishes the following two year objectives for reducing drug availability. First, a 15 percent reduction in estimated amounts of cocaine, marijuana, heroin, and other dangerous drugs entering the United States; and second, a 15 percent reduction in the number of people reporting that cocaine, marijuana, heroin, and dangerous drugs are easy to obtain in their communities. In view of past trends, how realistic do you believe these objectives are?

Admiral YOST. Well, I was not involved at that level in preparing the strategy as far as setting the goals for a reduction in availability in the next two years. But I think we do need goals, and I think the Drug Czar wanted to give to agencies like mine a goal to shoot at. I think it is a very, very tough goal, but I think the Drug Czar is a tough guy. I think that is what he expects. We are going to try to meet it. I do not know whether it is realistic or not. I will tell you at the end of the two years.

Mr. LEHMAN. One other question, Mr. Coughlin. I am not sure from what base line you are measuring this 15 percent. We do not know how much cocaine and marijuana is coming into the country.

I think there are a number of people reporting that it is easy to obtain, but if we do not really know how much is coming into the country, how will we know if we have had a 15-percent reduction?

Admiral YOST. Very good question, sir. You have to ask the Drug Czar.

Mr. COUGHLIN. You had no input into these goals.

Admiral YOST. I had an input into the overall strategy, but on the 15 percent reduction goal, I think the Drug Czar set his own goals for those agencies that work for him in this.

Mr. LEHMAN. For the record, could you perhaps ask that question and give us whatever answer you can get?

Admiral YOST. I can do that.

Mr. LEHMAN. All right.

[The information follows:]

OFFICE OF NATIONAL DRUG CONTROL POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
Washington, D.C. 20500

APR 11 1990

The Honorable William Lehman
Chairman
Subcommittee on Transportation
Committee on Appropriations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

During a hearing held by your Subcommittee on March 6 you and Representative Coughlin asked Admiral Yost from what baseline the Office of National Drug Control Policy (ONDCP) is measuring the 15 percent reduction of drug availability.

Subsequent to that hearing, the Coast Guard contacted my Office and asked that I respond directly to your query. The following represents our explanation of the said 15 percent reduction; however, it should be noted that the goals developed by ONDCP were shared in draft form at various stages in the Strategy development process with all drug control agencies, each of which had an opportunity to review them and comment on them:

The nine goals in the Strategy are estimates given the basic drug data we have on hand. Many of these goals are tied to the trends reported in recent national surveys (i.e., NIDA, Household Survey, High School Senior Survey, and the Drug Abuse Warning Network) for drug use, availability, drug-related medical emergencies, supply, etc. The baseline for drug availability derived from estimates in the annual National Narcotics Intelligence Consumers Committee (NNICC) Report.

These data are the best available, and we will rely on them while recognizing their limitations and weaknesses. That being said, ONDCP anticipates that it can assess whether or not we have met our goal.

One final caution: as noted in the Strategy, some drug-related data, even when fully reliable, may occasionally be open to different or conflicting interpretation. Therefore, no single statistic, by itself, can accurately reflect the full complexity of our current drug epidemic.

I hope you find this response satisfactory.

Sincerely,

Bill Bennett

William J. Bennett
Director

cc: Honorable Lawrence Coughlin
U.S. House of Representatives

Admiral Paul A. Yost
United States Coast Guard

Admiral **Yost**. I can do that. If the Committee would rather me ask the Drug Czar than they ask the Drug Czar, I assume—

Mr. **Lehman**. I am afraid of him.

Admiral **Yost**. I doubt that, Mr. Chairman, but I will.

Mr. **Lehman**. If you can get it, fine. If not, let us know and we will try.

Admiral **Yost**. All right, sir.

Mr. **Lehman**. Mr. Coughlin?

Mr. **Coughlin**. Would you indicate for the record the base levels of cocaine, marijuana, and heroin entering the U.S. from which a 15 percent reduction is to occur?

[The information follows:]

Estimating the levels of various illegal drugs is the job of the Drug Enforcement Administration (in conjunction with other federal agencies). The annual National Narcotics Intelligence Consumers Committee (NNICC) report publishes this information annually. According to the latest NNICC report (1988):

MARIJUANA	Metric tons
Gross marijuana available for use in the United States	15,630–21,210
COCAINE	
Maximum cocaine HCL production in source countries (Based on coca leaf origin)	348–454
HEROIN	
Southwest Asia opium production	1,090–1,420
Golden Triangle opium production	1,298–1,833
Opium production: Mexico	45–55
Total opium production in source countries	2,433–3,308

Note: 4,350–4,850 metric tons of marijuana were grown domestically.

DRUG WAR STRATEGY

Mr. **Coughlin**. Last year, you indicated that you did not believe we had reached the point of diminishing returns beyond which additional funds for interdiction would be better spent on other drug use reduction efforts. Do you think we are nearing or have reached that point this year, particularly when the drug control strategy states that "no major interdiction systems need to be initiated"?

Admiral **Yost**. Well, I do not think we are reaching diminishing returns, because I think use follows availability. This morning somebody mentioned the Vietnam War, and compared the drug interdiction war to the Vietnam War where we could not keep the North Vietnamese from bringing arms down into South Vietnam, no matter what we did. The difference there is we lost the will to win that war, I think. I do not think the American people have lost the will to win this one. And so I think we may win this one.

But the President has decided in his drug strategy that the balance ought to be keep interdiction funds fairly flat at this point and put additional funds into demand reduction. And I do not quarrel with that assessment.

Mr. **Coughlin**. The strategy report also mentions the need to better integrate the existing interdiction systems. In which areas is there a need for better integration, and what actions are planned to address the problem?

Admiral Yost. Well, of course the Drug Czar or ONDCP and the strategy was to meld all the efforts including interdiction into a unified approach so that there was demand reduction, there was education, rehabilitation, as well as interdiction. And I think that strategy does that, and it lays out in a very rough way the amount of money and the proportion of money to be spent on each of those programs.

Now the Coast Guard is an active participant in the supply and reduction group under the ONDCP, and I am a principal deputy on the Border Interdiction Committee. We are working with the Department of Defense to integrate the new mission that they have in detection and monitoring. We are working with Customs. We are working with DEA. We are working with all of the agencies to integrate interdiction efforts of the agencies, and then the strategy integrates the whole interdiction plot with the demand problem.

COAST GUARD AND CUSTOMS SERVICE COMMUNICATIONS PROBLEMS

Mr. Coughlin. As I understand it, your agency chairs the communications inter-operability working group. Have you corrected all of the radio frequency problems that have existed between the Coast Guard and Customs?

Admiral Yost. They are not all corrected, because those take a long time to correct. They take procurement of new equipment. They take agreement between the agencies to buy compatible equipment. And then the equipment has to be purchased and installed. The Coast Guard and Customs are moving to a uniform standard. We have the standard agreed, except for some high frequency crypto gear that Customs aircraft just cannot carry. The Coast Guard is installing some Customs compatible gear to eliminate any reason for not being able to communicate with their units.

The law enforcement communications standards have been established and approved by this working group that you talked about, which we chair. The Coast Guard is meeting the standards that that committee has set. And the other agencies are attempting to do the same, but it is going to take some time.

Mr. Coughlin. Do you have agreement between the agencies as to what to buy?

Admiral Yost. We have an agreement that each agency will buy to the standard. We set the standard, and each agency will buy equipment that meets that standard. The actual make, the contract of the equipment, we have not agreed to, but we do not need to as long as they will talk to each other. The equipment——

Mr. Coughlin. It would be helpful to be able to talk to each other.

Admiral Yost. Yes, sir. And we are on the way to doing that. In fact, right now we can do it. It takes a little more effort, because we have got to put some extra gear in our airplanes that is compatible with their gear, et cetera. But when they buy new gear and we buy new gear, they will have to adopt this standard so they will talk to each other.

MAJOR CHANGES IN DRUG INTERDICTION

Mr. COUGHLIN. Are you planning any major changes in your drug interdiction programs or procedures during the balance of fiscal year 1990 or in fiscal year 1991?

Admiral YOST. We have made some major changes. Zero tolerance was a change, and then we have had to rework the zero tolerance policy to get a better enforcement tool. Our intelligence is now being integrated for more effective integration between C3I in Miami and JTF–in Key West, which is the Department of Defense organization. We have increased the number of law enforcement detachment deployments on Navy ships. We expect a 100 percent increase in those deployments over the 1989 level in this coming year.

We have cooperated with DEA and Department of State in the Snowcap Operation, which is an in-country operation in South America. In air interdiction, we now have nine Falcons on line, and we have doubled our E–2Cs from two to four. We have forward operating bases in the Bahamas and in the Caribbean.

So yes, I think that we have made some major changes and we are making them every day. We have got this new C–130 coming on line that will be out in 1992. That C–130 will carry an E–C radar. That is about a $41 million weapon system. And we got the radar from DOD on loan. That shows you how expensive, but yet how important that system is.

DRUG INTERDICTION PLANNING

Mr. COUGHLIN. How frequently does your office review the interdiction plans or programs of your district offices?

Admiral YOST. In the Coast Guard organization, the Area Commander in the Atlantic is in New York City, and in the Pacific is in San Francisco. He is responsible for the operation in those oceans. He reports to me, but it is he who checks the district plans; who lay those requirements on the District Commanders; who coordinates all of the heavy aircraft and large ship operations. So he is the guy that coordinates these district plans, and he is constantly reviewing them.

I get a weekly report from my Area Commanders by message with the Commander's estimate in that classified report. And he tells me week-by-week what his feeling is about how he is doing and what is happening and what the changes are. And I get a weekly briefing on the whole drug interdiction operation in both oceans in my command center here in Washington.

DOD AND THE DRUG WAR

Mr. COUGHLIN. According to the drug control strategy report, the Department of Defense is planning an increasingly large role in interdiction, and has been designated by statute as the lead agency for air and maritime detection and monitoring. DOD funding has increased from $200 million in Fiscal Year 1988 to an estimated $1.2 billion in Fiscal Year 1991, or about 65 percent more than your requested funding. What types of equipment is DOD committing to drug detection and monitoring, and what impact will this have on your drug enforcement activities?

Admiral YOST. As you know, the Department of Defense has been assigned by Congress as the lead agency for detection and monitoring. The Coast Guard remains the lead agency for drug interdiction in the maritime area. So we need to coordinate very closely with them in their detection and monitoring activities in the maritime area. They are responsible for integration of all the C3 assets, command control and communications on the east coast, and the west coast, and in the southwest land border. So they have got major new responsibilities. And I cannot speak to their budget. I am not that familiar with it.

Mr. COUGHLIN. It seems to me there should be some coordination here. Defense has steaming and flying hours and days, and you have got steaming and flying hours and days, and you are falling all over each other.

Admiral YOST. No. Let us talk about steaming and flying days in the maritime area. The maritime area is the responsibility of the lead agency, the United State Coast Guard. We use, to do that, C3I center in Miami for air, in conjunction with the Customs Service. And we use the District 7 office in Miami for the surface end of it.

We meet with DOD in JTF-4 in scheduling conferences and schedule our ships and our aircraft and their ships and their aircraft in a coordinated way to cover our requirements in that maritime area. There is always a need for more. There is never enough. Nobody is falling all over each other. There just is not enough hours to do what we need to do.

Mr. COUGHLIN. Can we find you some money from that $1.2 billion in DOD?

Admiral YOST. Can we find use within——

Mr. COUGHLIN. Can we find you, the Coast Guard, some money from that $1.2 billion in DOD?

Admiral YOST. Well, I think in the past we have gotten some money from DOD, and whether it came out of that $1.2 billion or other areas, I do not know. I have talked to Members of Congress about using some of that money. Some of the money was used for aerostats that the Coast Guard was tasked to supply and DOD is now going to buy. I think there was $75 million of this money in that. So yes, we can use it.

Mr. COUGHLIN. As stated in the strategy report, DOD intends to undertake ship and aircraft detection activities in the Caribbean. How and at what level are DOD's ship and aircraft detection activities coordinated with the similar activities of your agency?

Admiral YOST. This is policy in the Caribbean, or operations in the Caribbean?

Mr. COUGHLIN. Strategy.

DRUG INTERDICTION COORDINATION

Admiral YOST. Strategy in the Caribbean. The strategy in the Caribbean in the maritime area is reviewed and set by first the Border Interdiction Committee, with Customs as the chair, Coast Guard as a principal deputy, and DOD as a principal deputy. So the strategy is run from there, although I would have to step back one step further. We have the ONDCP national strategy. We need to work that strategy in the maritime area, and that is how we do it, through the Border Interdiction Committee.

Mr. COUGHLIN. Who decides how many steaming hours there are going to be in the Caribbean, and how do you decide whether they are going to be Navy or Coast Guard?

Admiral YOST. The man that runs the Caribbean is the Atlantic Area Commander in New York, a Coast Guard three star officer. He holds a scheduling conference, along with DOD on a quarterly basis. And at that scheduling conference, so many steaming hours are needed. And there is a give and take between Navy and Coast Guard of whether they are going to be grey hulls or white hulls and what the shortfall is going to be.

There are never enough steaming hours to do what we need to do. So they are scheduled at these scheduling conferences. JTF-4, having the responsibility for detection and monitoring, is now taking over the scheduling of these conferences. And now the Coast Guard officer goes to those conferences and offers up the number of steaming hours that he has for that mission, but it's all under the maritime umbrella, where the Coast Guard is the lead agency.

Mr. COUGHLIN. I believe you responded to number 68.

Admiral YOST. Let me be sure I have made myself clear. They are not independent. The Navy ships now working in the Caribbean are under Coast Guard operational control. In other words, the scheduling is part Navy, part Coast Guard but it's all under one strategy, one system of operational control.

Mr. COUGHLIN. What specific procedures have been established to ensure cooperation and coordination between your agency and DOD at the operating level?

[The information follows:]

At the national level, the Office of National Drug Control Policy (ONDCP) has been established under Dr. Bennett to meld all drug control efforts (including DOD and USCG cooperative operations) into a unified approach. The Border Interdiction Committee and the Supply Reduction Working Group, existing under the authority and chairmanship of ONDCP, are coordinating bodies in which the Coast Guard and DOD are active participants.

At operating levels, we are working daily with DOD to coordinate our capabilities and integrate their detection and monitoring into existing interdiction organizations/operations. Specific intitiatives include providing billets for CG offices within DOD commands including Joint Chiefs of Staff (JCS), Joint Task Force 4 (JTF4), Joint Task Force 5 (JTF5), NORAD, and SOUTHCOM—38 in all. Considerable attention is paid to resource coordination at quarterly planning conferences held by our Area commands in cooperation with their DOD counterparts, JTF's 4 and 5. And, in addition to the ongoing Coast Guard/Navy Caribbean Squadron operations, we work closely with the Navy to supply Coast Guard Law Enforcement Detachments (LEDETs) for deployment aboard Navy ships engaged in high probability track line transits or dedicated law enforcement operations (LEO). In FY 1989, 2,179 shipboard operational days were produced as a result.

Mr. LEHMAN. Mr. Coughlin, I just wonder—in your own mind, Admiral, do you feel like there's unnecessary layers in this set up or unnecessary duplication between what the Coast Guard is doing and what the Navy is doing?

Admiral YOST. I don't think there's any overlap. And there isn't any overlap because we work very closely with Admiral Kelso's people, Commander-in-Chief, Atlantic, and with his Joint Task Force 4. Admiral Jim Irwin is a Coast Guard three star officer who runs JTF-4. He works then with my area commander. And it takes a lot of personal effort to make this thing come out right and do that coordination.

Is there a better command structure to do it? I don't think I'll even answer that. There may be. This may not be the best command structure in the world. But it's working.

Mr. COUGHLIN. To what extent are your estimated drug enforcement cutter operating hours and aircraft flight hours for fiscal year 1991 based on anticipated level of DOD effort? If they are, what were those levels for ships and aircraft and if they aren't, why aren't they?

Admiral YOST. Well, the operating hours that we have are not based on DOD levels at all. The operating hours are based on the maximum number of shipboard hours that we can get into drug interdiction from other missions. And there's always not enough to go around. So it's an almost endless sump that you could put effort into, at least at this point there is.

So the operating hours flow from the Coast Guard asset base—how many ships we have, how many hours or days they have of steaming and what other missions require attention: search and rescue, drug interdiction, marine pollution, law enforcement, fisheries enforcement, etc. It's a balance of that area commander on what his missions are demanding from a very narrow asset base.

DOD AND COAST GUARD RESOURCE HOURS

Mr. COUGHLIN. Please provide for the record ship and aircraft operating hours for drug detection, monitoring and interdiction for DOD and the Coast Guard for each fiscal year from fiscal year 1988 to fiscal year 1991.

[The information follows:]

Information on DOD aircraft and shipboard operating hours invested in anti-drug operations is not held by the Coast Guard. Coast Guard drug interdiction hours are available in detail. For FY88 through FY 1991, they were/are as follows:

Operating hours	Fiscal year—			
	1988 (actual)	1989 (actual)	1990 (estimated)	1991 (estimated)
Cutters	126,786	158,047	199,800	205,200
Aircraft	18,486	26,728	34,800	35,000

DRUG WAR INTELLIGENCE

Mr. COUGHLIN. Last year, you mentioned that your DOD counterparts assured you that after they got involved in the drug detection effort, you would get much better intelligence. To what extent has this happened?

Admiral YOST. Well, let me say that the Department of Defense intelligence support is an order of magnitude better, more complete than it was before they got fully into the program.

They are offering access to some of their intelligence data bases. There is a notable increase in DOD intelligence activities, and there's a higher collection priority given Coast Guard missions, drug interdiction for instance, than there was before DOD got fully involved in it.

So, yes, there's an increase in intelligence with DOD coming into the game. Much of the intelligence is still developed by the United States Coast Guard and by the law enforcement agencies.

Mr. COUGHLIN. In the past, you have indicated that about 90 percent of all your interdictions were made during routine patrols. To what extent have you been able to reduce these random patrols and rely more extensively on intelligence operations?

Admiral YOST. Well, when we talk about random patrols, we're not talking about patrols that aren't made based on intelligence. The randomization of patrols is to keep the drug smugglers off balance so that they don't think that they know where we are at any given time.

About 40 to 60 percent of our—let's say 50 percent of our seizures are made on cold hits. About 50 percent are made on intelligence. And of course there's some in the gray area that got a little intelligence but it really was a cold hit after all. So the better intelligence we have, the better we do.

On the other hand, the random patrols are still producing 50 percent of what we get without intelligence.

CUTTER OPERATING HOURS

Mr. LEHMAN. Mr. Coughlin, let me just interrupt one more time. I'm puzzled about definitions. You're using 205,000 cutter hours and 35,000 flight hours for drug enforcement. Of these 205,000 cutter hours for drug interdiction, are those random patrols?

Admiral YOST. The 205,000 hours of cutter operating hours comes out of our program budget. That's the total number of hours our total number of cutters can produce. And some of that is divided into search and rescue and some of it is divided into drug interdiction.

Now, of the drug interdiction, we do quite a bit of random patrolling. That is, vessels are on patrol without the benefit of intelligence. Once we get intelligence, that intelligence is sent to the vessel and then it begins to operate on intelligence. But it doesn't wait to leave its home port until we get the intelligence.

Mr. LEHMAN. But the 205,000 hours is not your total cutter hours, that's your total cutter hours only for drugs. That's aside from your search and rescue?

Admiral YOST. That's the amount of hours that we spend in drug interdiction. Of that 205,000 hours, a lot of it will be initially spent on random patrols. As soon as you get intelligence, that vessel is diverted on the intelligence. Some of that will then be on intelligence.

Mr. LEHMAN. But the 205,000 includes both random and routine.

Admiral YOST. Yes, it does.

Mr. LEHMAN. I guess I was trying to figure out whether the 205,000 hours was based on intelligence.

Admiral YOST. Some of it is. You could say in a way all of it is, because the random patrols are normally made in high threat areas. The threat is a product of intelligence, and that's why most of the random patrols are going to be done in the Caribbean or southeast U.S.

Very few random patrols are made off of Boston, for instance. Some, but very little. And that's because intelligence tells us to move south.

Mr. LEHMAN. If you could for the record clarify that a little better, I would appreciate it.

Admiral YOST. All right.

[The information follows:]

In general, virtually all cutter underway time for law enforcement is based on some level of intelligence, either strategic or tactical. Deployment schedules and intended patrol areas are drawn up according to where strategic intelligence assessments indicate the threat exists. Thus, there are no "random" patrols. Once on patrol, a cutter may be diverted to a different patrol area, or in pursuit of a specific target, if new tactical intelligence is developed. When appropriate, a cutter may be sortied directly from port to intercept a specific target developed from tactical intelligence. In these cases, the specificity of the intelligence directly controls the cutter's activity.

DOD-COAST GUARD COORDINATION

Mr. COUGHLIN. Yes, I must say this sounds like there was a foul up in operations somewhere. Maybe I'm not coming across, but the coordination between the Coast Guard and the Navy and the Air Force and DOD and the use of intelligence and the cost of $432,000 per seizure all says that there's an awful lot of random stuff going on, isn't there?

Admiral YOST. I don't know that that means that there's something fouled up someplace. Let me say that the present lead agency organization was dictated by the Congress. I think you know that I objected to the Department of Defense being the lead agency in monitoring and detection. That decision was made by the Congress over my—almost my dead body.

Now that it has been made, I am working very hard (as is DOD) to make it work. As I said, if I were asked to find the best of all command and control organizations, I don't know whether I'd pick the one we have now or not, but nobody asked me to do that. The Congress said here's what we want you to do, and that went from the drug czar right on down to how I operate. So I'm not sure that it's all that fouled up. And if it is, we probably share some of the blame, sir.

Mr. COUGHLIN. Perhaps Congress' mistake shouldn't prevent coordination, however, between the services.

Admiral YOST. It does not. Without the coordination, it would be fouled up. We are coordinating very closely.

C31 OPERATIONS

Mr. COUGHLIN. A June 1989 General Accounting Office report on air interdiction concluded that the federal air interdiction efforts were in a flux, particularly the operation and integration the command, control and communications and technical intelligence assets. What's the current situation? Has DOD completed its plan for C3I system integration and has a final decision been made on who will operate the C3I helicopters at Miami and March Air Force Base, California? Also, what role will the Coast Guard play in these C3 operations?

Admiral YOST. It has been decided. By the way, the C3 building in Miami has been completed and dedicated by President Bush in April of 1989. The building opened for full operations 31 December 1989. So it's just been a couple of months that it has been in full operation.

The backup watch at the FAA site at the International Airport will close on the 15th of this month and leave it all to the C3I center. In other words, we made that shift from the International Airport to this new building and it will be complete, the shift complete, on the 15th.

Now, the Coast Guard took over the command of the Joint Center in July of 1989 with Customs rotating to our principal deputy there. In two years, it will rotate back with Customs being the command and Coast Guard rotating as their principal deputy. That's working very, very well with a lot of cooperation and coordination between Coast Guard and Customs.

The operation runs 24 hours a day. It works very closely with JTF-4 and coordinates with JTF-4, who has their own operations center for their lead agency responsibilities assigned by the Congress. It is in Key West and includes an operations center and an intelligence center that coordinates with the Customs-Coast Guard center in Miami.

Mr. COUGHLIN. Isn't the very fact that you swap who's in charge indicate that things aren't very well coordinated?

Admiral YOST. Well, I don't think so. That's what we do in NATO, that's what we do in many joint and specified commands throughout the western military system throughout the world, so no. That is a standard way of doing things. And I'll tell you what it does.

When Customs is commanding that organization, if they do something that's somewhat unrighteous, they've got to remember that in two years the Coast Guard will be commanding it. It encourages everybody to cooperate and to coordinate and make this thing work, rather than have the infighting that would otherwise happen. It works very, very well this way.

AIR INTERDICTION OF DRUGS

Mr. COUGHLIN. The same GAO report indicates that about 10 percent of Customs' total air interdiction missions result in a drug seizure, plane seizure, arrest or some combination of the three.

The GAO also indicated you did not have sufficient data upon which to base an analysis of your capabilities for intercepting and tracking suspected airborne smugglers. Have you completed the development of your system for reporting on air interdiction activities? If so, what does it show? Do your seizures run about 10 percent of your total missions? If it isn't completed, what is the status?

Admiral YOST. Well, let me say first that the GAO report reporting the amount of missions that result in seizure attempts to measure effectiveness, but seizures never properly measure effectiveness. They don't measure deterrence and so without measuring deterrence, it's not a very good measure. It's just the best you happen to have at the moment.

As of January, in 36 months, the Coast Guard's E-2Cs have flown 4300 flight hours and completed 72 detachments spread over 601 detachment days and 3300 mission flight hours. This effort resulted in 21 aircraft and 10 vessel seizures, 57 arrests; the seizure of 15,000 pounds of cocaine and 10,000 pounds of marijuana. About 1 seizure per 108 operating hours.

I do not know what that measures. If the seizures go up, it probably means there's more cocaine flowing. If the seizures go down, it probably means you've stopped the flow of cocaine. So seizures sometimes are in inverse relation to your effectiveness. It's just a lousy measure that everybody grabs onto because it's the only handle they see, including GAO.

FALCON JET RESPONSE TIME FOR INTERDICTION

Mr. COUGHLIN. According to a June 30, 1989 IG report on your Falcon jets, you have not established a specific time response standard for drug interdiction missions, but use as a goal the search and rescue Bravo O standard that requires a 30-minute response posture. Of the 20 missions launched from the ground, the IG states that 8 missions exceeded the 30-minute goal for reasons that could not be determined. Are you still using a 30-minute response standard and, if so, has this proven to be adequate to meet your mission requirements?

Admiral YOST. We're not still using it, and it did not prove to be adequate. We have set a new standard of 15 minutes for air interdiction and since January 1, 1990, the 15-minute launch time has been met in all but 3 cases. None of these 3 cases impacted negatively on the cases being prosecuted.

If the 15 minutes is not met, it must be reported to C3I, the duty officer. And he logs that. That duty officer logs it. And although these occurrences are rare, they have been up to now all due to maintenance or weather. And that's usually the reason, maintenance or weather.

AEROSTATS' EFFECTIVENESS

Mr. COUGHLIN. You have responded to 76. In the past, we have discussed the operation of your aerostats. According to the GAO, the major limitation of the aerostats are their sensitivity to adverse weather conditions—they have to be reeled back to their base in adverse weather—and the average down time for maintenance—nearly 50 percent. In addition, they are easily observed by smugglers or their outlooks. What is your assessment of the effectiveness of your aerostats?

Admiral YOST. Well, we touched on that before a little bit. You've got to compare aerostats with airplanes. And an E-2C is a $45 million airplane that flies four hours at a time. It carries an air search radar. It is much better to have an aerostat that's carrying a radar at much less cost for 24 hours a day. And the fact that it's down for weather quite a bit or even for maintenance now and then doesn't detract from its effectiveness as compared with having to put an airplane up there carrying that radar.

So I'm not satisfied that the aerostats are up as much as I'd like them or that they have to come down when there's bad weather.

But it's sure a lot cheaper than a operating a whole fleet of E-2Cs. That's how we have to compare it.

Mr. COUGHLIN. What is the average down time for maintenance for the aerostats operated by the Coast Guard?

[The information follows:]

During fiscal year 1989, down time for maintenance for one Coast Guard land based aerostat (CARIBALL I) was 2% (175 hours). Average maintenance down time for sea based aerostats was 4 percent.

RIVERINE PROJECT

Mr. COUGHLIN. Recent press reports have referred to the participation of Coast Guard personnel in drug interdiction assist teams in Latin America. According to these reports, Coast Guard personnel possessing law enforcement and navigational expertise are employed alongside DEA representatives and host country law enforcement officials in an operation known as the "Riverine Project."

As part of this project, Coast Guard members participate in armed patrols of Bolivian rivers and jungles in search of clandestine drug operations. Doesn't an activity of this sort take the Coast Guard rather far from its customary role and sphere of responsibility and involve you in rather sensitive diplomatic policy matters?

Admiral YOST. What better service, to be involved in those matters. But we are involved in a training role at DEA's request in Operation Snowcap. Snowcap includes extensive land and air operations and eradication. DEA is the overall lead agency and by far has committed the most resources to Snowcap.

Coast Guard is operating at the specific request of DEA under our authority to assist other agencies. We're well suited to that mission, well suited to the training mission, small boat training and expertise, to attempt to train those in-country personnel to do it themselves.

Mr. LEHMAN. Mr. Coughlin?

Mr. COUGHLIN. Yes, Mr. Chairman.

Mr. LEHMAN. I'm just not real clear. You're sending uniformed Coast Guard people into the heartland of Bolivia on training missions and are they armed with real guns and real bullets?

Admiral YOST. Just like they were in Viet Nam, sir. The same kind of operation. A training mission in this case, however.

Mr. LEHMAN. Suppose they encountered Bolivian nationals that wanted to shoot back.

Admiral YOST. They're authorized to protect themselves. They are armed; they do carry weapons; they are in combat gear; they do have combat training; and they're performing an excellent mission in harm's way. And I'm concerned at some point we may lose some of those people. But war is hell, and this is a war.

Mr. COUGHLIN. Are you only in Bolivia or are you in Peru as well?

Admiral YOST. We're in Peru as well.

Mr. COUGHLIN. In the Huallaga Valley?

Admiral YOST. Yes.

Mr. COUGHLIN. As you know, there is an insurgency down there.

Admiral YOST. There is, and we understand that. But we're over there assisting DEA. The State Department has given full blessing to that. It's an assistance in training the nationals of that country in small arms and boat use and weapons use and interdiction procedures and boarding.

We are a military organization. We're one of the five armed services. So we don't have any problem in going down and doing those kind of things. We're also a law enforcement agency, probably the only agency in the United States that can fulfill that mission.

Mr. COUGHLIN. How many personnel do you have in Bolivia?

Admiral YOST. Very few in Bolivia. The whole team is probably 15 or 20 people, of which less than one-third at any one time are in country.

Mr. COUGHLIN. How many do you have in Peru?

Admiral YOST. It's primarily an air operation where we're hauling cargo to support DEA and in country forces in opposing the Huallaga Valley operation. So it would be air crews, probably at any one time we wouldn't have more than eight or nine people.

Mr. COUGHLIN. Do you have any people at the Santa Lucia Base?

Admiral YOST. Yes. At least we're supplying that base, I don't think we have any permanently stationed there, unless it's one or two logistics people to handle the cargo that comes in out of our aircraft.

Mr. COUGHLIN. And do you have any people in Colombia?

Admiral YOST. We have liaison officers in Colombia on the staff of the ambassador.

Mr. COUGHLIN. No operational?

Admiral YOST. I don't think we have any operational people in Colombia, but we frequently work with the Colombian Navy in joint operations against the drug smugglers and arms smugglers.

Mr. COUGHLIN. And for the internal operations in Peru and Bolivia, how do you select the people for those missions?

Admiral YOST. They're all volunteers. They all are officers who have training in law enforcement and small boat operations. Most of them are bilingual. If possible, we want bilingual people. Their physical condition, their capability, their attitude are all important. And they're people who want to do that.

ZERO TOLERANCE

Mr. COUGHLIN. Last November, you announced a new zero tolerance procedure. What changes did you make in this procedure and what has been the response to it?

Admiral YOST. The final rule was published in September of 1989. That final rule has innocent owner protections, expedited forfeiture procedures. It defined personal use amounts. We used a summons in lieu of seizure for commercial fishing vessels because there was a great concern by the fishing industry that if we seized their vessel, it took them right off the fishing trip. They'd be full of ice and fish and it would be big loss to the owner. So we give them a summons so that they can finish their fishing trip and then report in for forfeiture procedures.

Those changes were made in November of 1989, and those changes expanded the use of the summons for all vessels, not just the commercial fishing vessels.

Mr. COUGHLIN. Last year, it was indicated that the vast majority of boats seized under this policy were either released without penalty or assessed a small fine. Is that still the situation?

Admiral YOST. Well, I would defer to Customs in that because the penalty procedures are administered by the Customs Service. The Coast Guard does not become involved in the administrative process in those forfeiture procedures. It is our understanding from Customs that under the new procedures most vessels are assessed a penalty and we've been advised that many violators opt to pay that penalty rather than to lose their boat. The first fine is usually $500, the second offense is usually $1000. That's my understanding.

Mr. COUGHLIN. I was recently discussing with the Philadelphia police the seizure of automobiles in connection with drug dealing. They found this wasn't very effective because most automobiles had a very large lien against them that the bank held and that they had to return the automobile because the bank really owned it. Is that a problem with boats as well?

Admiral YOST. It can be. Many boats do have liens on them, and again it's a Customs Service problem. It may be one of the reasons they've gone to a fine.

Mr. LEHMAN. Mr. Coughlin, I lived a long time with the bootlegging in Florida. What you find out is that if you confiscate cars with liens on them, the banks that finance them get to be a lot more careful about for whom they'll finance automobiles. If you did finance the cars, then anybody that paid a third down, as soon as they found out somebody had been arrested once for bootlegging, they wouldn't finance them. That may be a way to prevent some of this drug stuff because if the banks that finance them don't take some responsibilities, they'll replace those cars as fast as they're confiscated.

SEVENTH DISTRICT DRUG PROSECUTIONS

Mr. COUGHLIN. Would you update for the record the information on the 7th District drug prosecutions that was included on pages 768 and 769 of last year's hearing record?

[The information follows:]

The information for CY 1989 Seventh District drug prosecutions follows:

	Calendar year 1989
Individuals arrested (CG only)	193
Federal prosecutions:[1]	
Initiated	161
As percent of those arrested	83.4
Tried/pled in Federal court:	
Number	81
As percent of those prosecuted	[2] 50.3

[1] The Seventh District has not been tracking the state prosecutions for CY 89. Generally we track those cases where Coast Guard participation through witnesses, depositions, or other forms of evidence is required.

[2] This figure reflects only those trials that were completed by the end of the calendar year. As of 31 December 1989, cases involving prosecution of 80 persons were still pending.

SEVENTH DISTRICT DRUG SEIZURES

Mr. COUGHLIN. Please also update for the record the information related to the 7th District drug seizures that was included on page 769 of last year's hearing record.

[The information follows:]

The following data reflect the USCG Seventh District's drug seizure information for calendar (CY) 1989 (including CG assist cases):

	Amount
Cases	126
Vessels Seized	88
Marijuana Seized (lbs)	222,403
Cocaine Seized (lbs)	39,413
Hash Oil (gals)	4
Arrests (CG only)	184

CONTRABAND SEIZURES

Mr. COUGHLIN. Please provide for the record a table, similar to that on page 17 of our Fiscal Year 1990 Committee Report [House Report 101-183], showing Coast Guard contraband seizures.

[The information follows:]

The following data reflect Coast Guard drug seizures information for fiscal years 1983-1989:

COAST GUARD TOTALS

	Fiscal year—						
	1983	1984	1985	1986	1987	1988	1989
Vessels seized	145	223	186	149	152	143	152
Marijuana on vessels (thousand lbs)	2,240	2,800	1,860	1,750	1,220	619	296
Marijuana adrift (thousand lbs)	61	62	92	90	82	25	16
Cocaine (lbs)	55	1,932	5,890	7,495	12,950	14,592	15,863
Hashish (lbs)	1	30,000	0	2,000	2	0	0
Hashish oil (gals)	0	28	0	35	13	52	69
Arrests	709	1,056	733	648	568	372	152

Note: The above statistics represent Coast Guard seizures only. In addition, in fiscal year 1989 the Coast Guard assisted in the seizure of 75 vessels, 16,657 pounds of marijuana, 18,923 pounds of cocaine, and in the arrest of 104 individuals. The fiscal year 1989 figures for vessels seized includes 89 seizures under the Zero Tolerance program.

REPORT ON PASSIVE ACOUSTIC SURVEILLANCE TECHNIQUES

Mr. COUGHLIN. What is the status of the report on the impact of the Administration's drug plan on the Coast Guard and the report assessing the potential of passive acoustic surveillance techniques?

Admiral YOST. The report on the use of passive acoustic surveillance techniques for law enforcement is in the final clearance process. The report on the impact of the Administration's drug strategy is in the Coast Guard clearing process. The report was due on the Hill for the latter report on the 24th of January. It's in the Department of Transportation now. I'm sorry—the report is from the Department of Transportation, but it's still in Coast Guard final clearance and OST/OMB clearance which will probably take several more weeks. So that report is going to be late.

The other report was due on the Hill on 15 January. It should be delivered to the Committee in the next few days.

SHIFTING INTERDICTION RESOURCES

Mr. COUGHLIN. One final question on drugs. Most of the South American cocaine appears now to be coming in overland through Mexico, coming across the Mexico-Texas border. Does that mean we should be shifting resources away from maritime interdiction into trying to interdict that, which really can't be interdicted as well, or can it?

Admiral YOST. No, it can't. But I think that if we were to release the pressure in the Caribbean, those smugglers would come right back. They're very flexible. It only takes them a few days or a few weeks to shift methods of transportation. So you can't. You've got to continue there. And I believe that on the land may be an easier place to interdict drugs. And so the border patrol and Customs Service and others, local police departments, are working that problem right now. And I think they're getting better at it.

Could I just summarize the drug thing a little bit? Because I'm troubled by what I am hearing in my own testimony, and I'm thinking how it's going to look and maybe I could put it together in just a minute.

First, it's a very large ocean out there and we need lots of assets to detect and to monitor and apprehend smugglers. We need all the help we can get, and there's work for everyone, and that includes DOD. There's not too many assets out there, people stumbling over each other in that ocean.

We do have close coordination to take advantage of the unique capability of each participant—DOD, Customs, DEA, Coast Guard. And we maintain and adjust our operations to respond to intelligence to changing tactics of the smugglers and to the availability of assets.

So I think we are being very, very effective in the maritime area. And as the lead agency of the maritime area, that's our job to see that we are effective. And we are, sir.

Mr. COUGHLIN. Thank you, Mr. Chairman.

DRUG ARRESTS

Mr. LEHMAN. Thank you very much, Mr. Coughlin. Let me ask you one more question. What is the threshold above which the Coast Guard actually arrests an individual for transportation of marijuana? There is a threshold. I know at some point you don't actually arrest the individual. What's the status of those thresholds now?

Admiral YOST. Well, I'm going to have to respond in writing. I'm not sure. For personal use, it's any reasonable quantity but when it's a supply, when they're supplying it, it has to be a quantity that would obviously be enough to operate in a supply operation.

Mr. LEHMAN. At one time, if I remember correctly, the Customs said that anything less than 5000 pounds the person was apprehended and put on probation but not arrested, but the equipment was confiscated. Does the Coast Guard have any policies similar to that? They said there wasn't room in the court system for everybody that has a few hundred pounds of marijuana on their vessels.

Admiral YOST. We've got some policy guidelines on personal use amounts, and I'll supply those to you. Often the court system dictates what we do because the U.S. Attorney being a very busy guy sometimes won't take a minor quantity that we would like to make the case on, and he says I just don't have time for that.

Mr. LEHMAN. But in the meantime, you confiscate the vessel?

Admiral YOST. We arrest the person, confiscate the vessel and make the case. And if the U.S. Attorney doesn't take the case——

Mr. LEHMAN. That's his problem.

Admiral YOST. Yes.

[The information follows:]

Under the Administration's Zero Tolerance Policy, individuals illegally possessing measurable quantities of controlled substances are subject to arrest, criminal prosecution, and civil sanctions.

Individuals who use, possess, or transport any measurable amounts of controlled substances or drug paraphernalia will be arrested for violations of 21 USC 844, 21 USC 952 or 36 USC 1903.

Following arrest by the Coast Guard, violators are turned over to local or state law enforcement officials, or U.S. Marshals for prosecution. The Department of Justice maintains information on policies for prosecution of drug related offenses.

ACQUISITION PROBLEMS

Mr. LEHMAN. All right. Going to AC&I.

Admiral Yost, how much longer are you able to be with us today?

Admiral YOST. I'll stay as long as you want me, sir.

Mr. LEHMAN. Maybe we'll go about another half hour.

Admiral YOST. I don't have any problem with that.

Mr. LEHMAN. Mr. Coughlin?

Mr. COUGHLIN. Fine.

Mr. LEHMAN. The 378-foot Cutter FRAM project experienced significant cost overruns and delays. Last year, you described the Coast Guard's "lessons learned" from that experience as follows: establish firm and complete requirements before contracting for the work to be done; tightly control contract modifications; deliver GFE on time; have adequate experienced project staff; and staff up the Resident Inspection Offices quickly from the beginning.

In your current program, you have four ship classes—oceangoing and coastal buoy tender, motor lifeboat and patrol boat—which are just getting started. What are you doing in these new programs to avoid the problems you have experienced in the FRAM program?

Admiral YOST. The lessons we have learned in FRAM have been transferred to each of those programs. And when you build a new vessel, as the patrol boats, that's much less of a problem in converting a major old vessel like the 378s. Those boats have been working very fine. We've already built 37 of them, there's no problem in that project at all.

The FRAM project is unique with the amount of problems that we've had with it, and we share the fault of that with the industry as well.

Mr. LEHMAN. Have these lessons learned been formalized by implementing guidelines? Please explain the extent of those changes.

Admiral YOST. Yes, they have. In fact, we've established a new office, the Office of Acquisition and put a flag officer in charge of it. That was a direct result of the problems that we had with FRAM. Now all of our acquisition goes through that office under a revised project management plan.

Mr. **Lehman**. The IG recently found that you were not maintaining adequate shipbuilding drawings. What are you doing in these new programs to address this problem? Will you have a design yard responsible for maintaining the drawing packages?

Admiral **Yost**. We do. Anytime we do work on a vessel, we require as part of the contract for as-built drawings to be furnished to the Government. Now, the reason we didn't do that over the years, it's a very costly thing. It may add 2 or 3 percent to the cost of your contract. So if you put in a new septic system or a bilge pump, you can do that at a cost of X number of dollars. If you want as built drawings, you've got to add a few percent to it. And so we were kind of working in the margin and trying to save that money by not getting as built drawings. And it's cost us dearly in the FRAM project in the end.

We now have a policy. We will get as built drawings for any major work that's done on a ship.

BOWATERS AMENDMENT

Mr. **Lehman**. It will cost you more in the long run if you don't. Why has the Coast Guard interpreted the Bowaters Amendment in such a way that extensive conversions of U.S. Flag Vessels can occur in foreign yards and still maintain their U.S. Flag status? For example, a fishing vessel for Alaskan waters was recently converted by a Norwegian yard, and had less than 20 percent of the original vessel incorporated in the new vessel. The ship was still adjudged by the Coast Guard to be U.S. Flag.

[The information follows:]

The Bowaters Amendment, which permits U.S. corporations meeting certain requirements to document U.S.-built vessels for limited coastwise trade, does not apply to the conversion of U.S. flag fishing vessels in foreign shipyards. The controlling statute in the case you cite is the Commercial Fishing Industry Vessel Anti-Reflagging Act of 1987, Public Law 100-239.

Until passage of PL 100-239, the only penalty for foreign rebuilding of a U.S.-built vessel was the loss of eligibility for coastwise privileges if the vessel exceeded 500 gross tons. Thus, a fishing vessel could have undergone extensive conversion work overseas without a loss of fisheries privileges. PL 100-239 extended the penalty for foreign rebuilding to include a loss of fishery privileges and eliminated the exemption for vessels of less than 500 gross tons.

While providing for a loss of fisheries privileges for vessels that are foreign rebuilt in the future, PL 100-239 contains a "grandfather clause" which permits the owners of fishing vessels to proceed with commitments made before July 28, 1987, to rebuild fishing industry vessels in foreign shipyards. Therefore, it is possible that such a vessel could be converted in a foreign shipyard, have less than 20 percent of the original vessel incorporated in the completed vessel, be found to have been rebuilt foreign, yet still qualify for fisheries privileges.

HEADQUARTERS ENGINEERING STAFF

Mr. **Lehman**. Why is the Coast Guard maintaining a large engineering force at Coast Guard Headquarters when it is requesting industry to provide the engineering concepts and detail drawings for the vessels the Coast Guard puts out to bid?

Admiral **Yost**. Our engineering staff does a lot more than design vessels. They're responsible for a wide range of vessel maintenance support, both in the Operating Expense accounts and in the AC&I area. Ships and boats alterations have to be done and planned. Development of policies for standards and procedures for vessel maintenance is done by that staff. All of our ordnance support to major weapons systems has to be done by that staff. So we don't think our design personnel staff is large.

A 1988 study showed that the design work was being done at the expense of fleet support, and additional resources would be needed to continue new design work. So we don't have a large staff, and we barely have enough to do the maintenance work.

Mr. LEHMAN. What is the actual size of your engineering force?

Admiral YOST. We now have 42 positions.

Mr. LEHMAN. Are those regular engineers?

Admiral YOST. A lot of them are. Some of them are naval architects, some of them are draftsmen. Some of them are secretaries.

Mr. LEHMAN. You can detail that for the record.

Admiral YOST. I'm told that of those 42 positions, only 36 positions are filled at the moment because it's hard to get people of that quality at the low wages we pay.

Mr. LEHMAN. For the record, could you break down the statistics of the jobs?

Admiral YOST. Yes, I will.

[The information follows:]

The Naval Engineering Headquarters division has 96 civilian and military positions, of which 79 are filled. Within the Naval Engineering Division, the Technical Branch is authorized 42 positions, of which 36 are filled.

For the Naval Engineering Division as a whole, the breakdown of positions is as follows:

Position	Number authorized	Number filled
Engineer/Engineer Tech	57	43
Naval Arch	18	18
Draftsman/Tech Suppport	3	3
Clerical Support	12	9
Funds Mang/Program Analysis	6	6
Total	96	79

For the Technical Branch, which is within Naval Engineering, the breakdown of positions is as follows:

Position	Number authorized	Number filled
Engineers/Eng Tech	19	16
Naval Arch/Naval Arch Tech	18	18
Draftsman/Tech Suppport	3	3
Clerical support peprsonnel	2	1
Total	42	38

SHIPBUILDING CONFIGURATION CHANGES

Mr. LEHMAN. The Navy makes extensive use of such techniques as configuration control boards, secretariat level prior approval, and wooden mockups to control shipbuilding configuration changes and their associated contract modifications. Are you planning to use any of these techniques?

Admiral YOST. We are. The most available configuration management models including the Navy's are being considered in the development of our own Coast Guard configuration management system. The key elements of the Navy system used in configuration control plans for new acquisitions must be consistent with available resources, and the data bases are being built with a goal of commonality with the Navy's system so that we can shift back and forth.

FRAM

Mr. LEHMAN. By Coast Guard estimates, the FRAM project's total cost rose from the original estimate of $594 million to $825 million, which represents a cost growth of almost 40 percent. Last year, you told us the following concerning these costs: "The FRAM contract is not going to escalate. We are very confident of the $825 million cost for the entire project. We don't think there's going to be a significant cost growth. There's even some chance it could be lower."

You were very firm on this point last year. Do you still stand by that statement, that $825 million will be the cost at completion?

Admiral YOST. I hate to ever bring this Committee bad news, and so if there's any bad news to be brought, I usually bring somebody to give it other than me. I'd like to ask Admiral Gilbert, my comptroller, to address that question.

Admiral GILBERT. Thank you, sir. Mr. Chairman, there has been some additional growth of about $24 million, and that will be spread over fiscal 1990 and fiscal 1991.

In addition to that $24 million growth, we're getting the ships faster out of Todd Shipyard now than we were before, and of course we're happy about that. So we've had to draw some money we had originally planned for fiscal 1992 into fiscal 1991, an amount of $10 million.

As I said, we had to draw about $10 million from fiscal 1992 into fiscal 1991 to accommodate the accelerated schedule at Todd. We're going to accommodate the extra growth and the acceleration of the money needed in two ways: We've increased our request in fiscal 1991 by $11 million and we'll be coming forward in the next few months with a reprogramming request to accommodate the need for the other money. There will, of course, be a corresponding decrease in our request for fiscal 1992 as a result of the acceleration.

Mr. LEHMAN. Usually when you expedite these kinds of things you save money.

Admiral GILBERT. Well, I think that perhaps the cost growth might have been a bit more if we had not accelerated. Just to give you a status report, five of the ships have been finished completely and the fleet is very happy with those ships. The Commandant rode one recently and came back with glowing reports. There are five other ships that are being modified at the moment, and two ships remain to be put into the program.

Mr. LEHMAN. Other than expediting, is there any other reason for this additional cost?

Admiral GILBERT. We've had a five ship settlement on the West Coast, which settles all the issues that were outstanding between us and Todd, and that gave us a much firmer base line to estimate future costs on. And I might note that the average cost on this settlement was $55 million compared to $71 million for the first five ships. So we believe that we've got the costs under control. I know we told you this last year. Fiscal 1991 is the last year of a significant budget item for the FRAM program.

Mr. **Lehman**. Let's hope this is the last of the last.

The remaining two cutters not yet in FRAM are both on contract to Todd Shipyard in Seattle. Todd has been in bankruptcy protection [Chapter 11] since 1987. What is their status today and how will that affect the yard's ability to conduct the remaining two renovations?

Admiral **Gilbert**. Yes, sir. I just might note that the five ship settlement was approved by the credit committee that's overseeing the bankruptcy. They remain in Chapter 11, but we and industry are still confident they will come out of the bankruptcy. We believe that they will be able to finish the ships that are currently in progress out there, plus the remaining two that need to be done.

210-FOOT CUTTER MMA

Mr. **Lehman**. I have two more questions, Mr. DeLay, and then I'll yield to you. Relating to the bankrupt shipyard now, you are requesting $3.3 million in fiscal year 1991 to continue the major maintenance availability on the 210-foot cutters. You've had similar problems here as you experienced on the FRAM. Can you update us on the status of this program, particularly regarding the situation at Colonna's Shipyard?

We have two shipyards in bankruptcy, Todd and Colonna. It's amazing what the Coast Guard does to these shipyards.

Admiral **Yost**. That's right. We just hold them to too high a standard in saving the taxpayer money, and they add to that by coming in with a low bid just to get the work, thinking that perhaps they'll get better on change orders and what have you, and it doesn't always happen. But the first two B class done at Colonna's were delivered. They took 36 months and 850,000 man hours, with a total project cost of over $29 million, and there were over 1200 discrepancies on delivery. That's twice as long and 50 percent more costly than we expect to be able to do these ships at the Coast Guard yard. And so the remaining nine will be done at the Coast Guard yard. Colonna's yard must be characterized as poor, and we now have just decided to move the rest of the nine into the Coast Guard yard and do them there.

Mr. **Lehman**. You now plan to use one yard to do this work instead of two? That means the Coast Guard's own shipyard?

Admiral **Yost**. Our own shipyard will do that.

Mr. **Lehman**. Do you have the capacity?

Admiral **Yost**. We have the capacity, but it means that there's other work that we were going to do at that shipyard we will now do in the private sector. So it's a zero sum game. That shipyard can only do so much work, and when we move this ship in, it moved other work back into the private sector. We think that the other work can be done at the private sector better than Colonna's would have done these ships with the massive overruns that we were seeing.

Mr. **Lehman**. Mr. DeLay.

PATROL BOAT ENGINES

Mr. **DeLay**. Thank you, Mr. Chairman. I will wait with my questions on the Island class and Heritage class until you get to that point which is coming up briefly, but before we got to the point of looking like we were going to adjourn to tomorrow, Admiral, I wanted to make sure that we understand what's going on with the engines for the Island class and I wanted to give you the opportunity—since I failed to ask you the follow up question to the down side of those engines, I wanted to give you the opportunity to give us the up side of switching from the Paxman engines to the Caterpillar engines that have never seen the hull of a ship.

Admiral **Yost**. Right. I appreciate being able to do that, because there is a positive side. The positive side to putting Cats in rather than Paxman is that we get an immediate saving of $3.9 million, with a life cycle potential saving over a twelve-boat fleet in fuel and maintenance saving of up to $500,000 per year, a half a million per year. The annual saving is sensitive to operational employment, and actual maintenance and supply costs and training costs.

We get a slow speed capability with a trolling clutch provided by the Cat. Up to now, we've had a problem slowing these boats down for towing. The slowest speed was somewhere around 8 knots, and they sometimes actually pull a recreational boat apart in towing. These vessels will get down to a minimum speed of 4 knots, actually with the Paxman 11 knots was our minimum speed rather than 8.

We've got longer endurance, because of lower fuel consumption and higher speeds with the Cats. That could provide an additional day of endurance on a hypothetical patrol. The reduced weight of the machinery is 3.3 tons lighter. It gives us about an inch less draft.

They're United States built engines. That supports Buy American. Caterpillar engines are built in the United States; Paxman are built in England. Caterpillar support is available at more locations in the United States than the Paxman are. And I had one more item I wanted to mention.

We're running a lot of Caterpillar engines in Coast Guard vessels. And Caterpillar engines in marine service, there are hundreds and hundreds of such engines running very well. What I said is this particular engine in the configuration has never run in either marine service or any other service except on that test stand. But there are plenty of Cat engines in the Coast Guard and elsewhere that perform very, very well.

Mr. **DeLay**. I'll finish with this. In the VEC process, other engines cannot be considered unless Bollinger brings than up in the VEC process. The VEC process can only be approved or denied by the Secretary or you. There is no in between, answer either yes or no. Is that not correct?

Admiral **Yost**. That's correct. And although I know there's at least one other engine manufacturer who encouraged Bollinger to produce a VECP with his engine, my understanding was that that engine had not yet passed the thousand hour Navy test that we use as a threshold. Before we'll consider any new engine, it's got to have passed that thousand hour test or served in marine service someplace for a long time.

Another engine manufacturer tried to get Bollinger to produce a VECP. He wouldn't because it hadn't passed that minimum test.

Mr. DELAY. If you're talking about MTU engines, they passed the test a long time ago. Over a year ago.

Admiral YOST. When they were first suggested, they had not.

Mr. DELAY. Is that the other manufacturer to whom you were referring?

Admiral YOST. It was.

Mr. DELAY. Well, we could discuss that issue, but I think they passed that a long time ago, that thousand hour test.

Admiral YOST. Yes, they did pass it. I'm sure they did. Bollinger did not offer them a VECP for whatever reason.

Mr. DELAY. I understand. But if—and because you cannot take the VEC proposal and modify it or discuss it, it's a yes or no situation, other than the Buy America, are there other engines out there that could comply to the positive aspects that you just outlined?

Admiral YOST. I didn't look at them from that point of view. When the MTU engine was proposed, it had many of these same positive aspects. But because at that point, if my memory serves me right, it had not passed the thousand hour at that point, I did not consider it. On the twelve boat buy that we now have, it was not proposed again to me, but the Caterpillar engine was.

Mr. DELAY. And I'm not faulting you——

Admiral YOST. I know that.

Mr. DELAY. I'm faulting the process that puts the builder in control. If he requests a value engineering change, he is in control of which change he wants to make.

Admiral YOST. Yes, sir.

Mr. DELAY. And he is not necessarily looking for value in quality and price. He might be looking for a particular engine or piece of equipment that he wants to buy and he can use it as leverage against his own bosses, in this case you.

Admiral YOST. That may be, and in this case, of course, he had a contract to build twelve boats. And he is proposing that he change that contract in a particular way and we have to approve that. He did not propose any other engine, and I can see your point, and it is the process that's catching us up.

Mr. DELAY. Mr. Chairman, I've got some questions and I'll just wait until you get to that issue.

FIXED PRICE CONTRACTS

Mr. LEHMAN. Both the FRAM and MMA projects used "firm fixed price" contracts. Both experienced big contract overruns. What is the practical value—besides good publicity—of calling something "firm" and "fixed" when obviously those costs were neither firm nor fixed? Hasn't the Navy largely given up fixed-price contracts on lead ships, due to the risk involved? Why not use the cost-plus and come out better?

Admiral YOST. I am going to have to answer most of that—I am not sure what the Navy does, I am going to have to answer most of that for the record. But in the past, the Coast Guard has rarely if ever used a cost reimbursement contract for ship procurements. A typical example would be an R&D contract where the ultimate end product is not well defined that we would use cost reimbursement. The Coast Guard approach has been consistent with the federal acquisition regulations. That is, where the specification is firm and the work can be adequately defined, a fixed price contract is preferred.

In this FRAM case, we thought we had specifications firm. We didn't. We had fairly poor specifications, and it caused us all kinds of trouble. Whether we would have been better off with a cost plus contract in this FRAM is arguable, and I considered at one point going to cost plus. So it's not a bad question. I just don't have the complete answer for it.

Mr. LEHMAN. It seems like change orders on the fixed price contract may keep the shipbuilder from going bankrupt but they cost the Coast Guard a lot of money.

Admiral YOST. Yes, sir.

Mr. LEHMAN. Which of the following new vessel classes are planned to have fixed-price contracts for lead-ship construction: The oceangoing buoy tender, the coastal tender, patrol boat follow-on, motor lifeboat and the polar icebreaker?

Admiral YOST. The seagoing buoy tender and the medium buoy tender, the WLM, both have fixed price contracts planned for the lead ship. The Heritage class, the patrol boat follow-on, that prototype is being built at the Coast Guard yard rather than a commercial contract. So this is really a fixed price contract. At least it doesn't apply here.

The MLB which is the motor lifeboat has a fixed price contract in place for the lead ship. And the icebreaker, NAVSEA will be the procurement agency and they're planning a competitive procurement with a fixed price type of contract.

Mr. LEHMAN. At this time, I yield to Mr. DeLay for questions on the Heritage class.

HERITAGE CLASS PATROL BOAT ENGINE

Mr. DELAY. This won't take long, I'm just trying to establish a couple of points, Admiral.

A year and a half ago, I asked for and received an audit of this engine procurement that's going on and my questions haven't changed since that time. Are the cost savings to the Coast Guard, are these savings figures derived by evaluating the cost of the bid?

Admiral YOST. The cost savings on the VECP that you're really asking about—how did we evaluate those? We took it for the initial procurement and then we looked at the life cycle of spare parts, fuel, training and down time on the boats. And the Paxman engine is more expensive to buy than the Caterpillar. The Caterpillar had less life cycle cost because the parts are cheaper and where we got the other side of the equation is in the training, having to train more people and have more parts in supply because we've got two types of engines.

So we did a life cycle on it; it was a pretty good analysis. NAVSEA did it for us. They used one of the best engineers they had to do it, which happened to be a Coast Guard officer assigned to their organization.

Mr. DeLay. In listening to your pros and cons over this VECP, I assume that performance factors were weighed in this decision making process.

Admiral Yost. What made it difficult is the Paxman engine gave us a knot and a half more than we had specified to begin with. And so we had a spec that only required 29 and a half knots. Caterpillar then came in with an engine that would give us 29 and a half knots but no reserve beyond that. That engine was smaller; it would be working harder at every speed. It would give us less time between maintenance cycles and a whole number of things that I liked on the Paxman. The Paxman was more expensive, but I wasn't running it hard. I had a long time between overhauls. I had an extra knot and a half anytime I wanted to reach over to the throttles. Even when I reached for the throttles and firewalled them, I still have 15 percent reserve in that engine; it was loafing. I liked that. But whether I could afford it or not was the question that I consulted with the Secretary on.

Mr. DeLay. One of the problems with FRAM was the different configuration of ships which was very costly to maintain. Doesn't two engines lead to the same problem? And you may be looking at a third engine on the Heritage class so you could very well have three engine inventories? Doesn't that also create problems in cost?

Admiral Yost. It does. It definitely does create problems, and it's part of the down side I did point out to the Secretary in our discussion as we came to a conclusion on this. I could end up with three engines. I will definitely end up with two engines, which gives me a training problem. It gives me a spare parts problem, and it gives me a deployability problem when I've got one class of boat ready to deploy, and I've got a second class then that isn't part of that deployment package.

Mr. DeLay. In the audit performed by DOT, it clearly states that DOT and the Coast Guard would make future decisions by selecting the "best performance qualities and price economies to the Government." Do you feel confident that these factors have been closely scrutinized?

Admiral Yost. I can assure you that they have. The Secretary sat down with me and about eight members of my staff and four members of his, and we spent long into several evenings discussing this. He made this a major, major decision process in his administration.

PATROL BOATS

Mr. DeLay. What is the current status of the Heritage class contract?

Admiral Yost. We're building the prototype in the Coast Guard yard. It's a boat that has never run; it has never been built. It's a boat that my engineers feel will be a better boat than the Island class which is simply the best patrol boat in the world.

I'm very happy with the Island class. I have 37 of them. They are running beautifully all over the world, and I am now designing a prototype that I hope will be better. If it isn't better, I won't build it. That's why I'm doing a prototype. When I have some doubts about whether I ought to do this, I kind of look back at the commander who was in charge of the fleet when they built Old Ironsides.

He probably said this is the best ship of the line in the world, and if he'd hung to that, we'd still have Old Ironsides type of ships running. At some point, he had to build a better ship. My designers think they've built a better ship. I'm going to see. If they haven't, we're going to build more Island class boats.

Mr. DeLay. Do you know what the time frame on the engine contract for the Heritage class boat is?

Admiral Yost. I don't, and I'll provide it for the record because it is a very important item and there are several engine manufacturers who will no doubt be in the competition area for that.

[The information follows:]

The contract for the engine on the Heritage Class prototype boat is scheduled to be awarded in May 1990.

Mr. DeLay. The reason I'm taking so much time is that I want you, Admiral, and the Coast Guard to have the best engine, the best boat that you possibly can have under the spending constraints that we're under. And I think it's important that if the taxpayers are spending their money for protection by the Coast Guard, they ought to get the best for the buck that they're spending and other considerations ought to take a back seat to that.

I understand that this contract bid for the engine on the Heritage class is free and fair, but what groups or organizations serve as a watchdog to ensure that this contract is let in a free and fair manner? Do you know?

Admiral Yost. We've got the federal procurement regulations, and we've got a cabinet level officer with an IG who's looking over my shoulder. I'm sure the engine manufacturers are looking over my shoulder; they certainly visit me enough. I think everybody's watching it very closely, and my fear is we could have three separate engines. There's a certain engine manufacturer who would like to see something like that.

Mr. DeLay. Thank you, Mr. Chairman. I've got other questions for other times. Thank you.

Mr. Lehman. Thank you.

You are currently designing the prototype of a new class of patrol boat to replace the existing *Island* class. This replacement is estimated to cost $90 million over the next five years. However, it's not clear what additional capability is actually required, and whether that capability is sufficient to justify the expense of the prototype and of maintaining a second configuration of patrol boats. Why do you require a new design? How old is the *Island* class design?

Admiral YOST. Well, as I described the commander who designed the *Old Ironsides* felt he had the best ship in the world, I feel I've got the best patrol boat in the world in the *Island* class.

I am not anxious to go to a new patrol boat. However, when I became Commandant, there was on the drawing board a vessel that the designers in my own headquarters claimed was a better patrol boat than the *Island* class, was cheaper to run and cheaper to maintain. As you may remember, Mr. Chairman, that issue got into Jack Anderson's column and other places where we were criticized for following up on the *Island* class without at least looking at this other design.

At that point, it was decided by me and in consonance with my committees and Congress to build a prototype of this new Heritage class and see if it would turn out to be a better patrol boat than the current best patrol boat in the world. That's what we're doing, and I want about a year or two to run those vessels against each other and tell you what the result is before we think about building the *Heritage* class.

Mr. LEHMAN. This new design is estimated to be heavier than the Island class, yet cost the same. However, in shipbuilding weight is usually a rough indication of cost. How is this program different?

Admiral YOST. It's a much simpler hull design; it's a much more modern hull design as far as the planing hull goes. Because of the simpler construction, the cost supposedly will go down. Now, the weight of the boat is a little bit of a contention right now. It's weighing more than the original design, and we're doing some changes to reduce that weight. So the boat is still very much in a design stage.

Mr. LEHMAN. Why does the new Coast Guard *Heritage* class patrol boat contemplate using thin steel hulls rather than the more modern aluminum hulls? It's my understanding that thin steel hulls are heavier than aluminum hulls requiring larger engines and higher fuel consumption than equivalent aluminum hulls. In addition, thin steel hulls are more expensive to maintain.

[The information follows:]

The steel hull construction was selected on the basis of fire resistance for survivability and Coast Guard experience with respect to durability and repair. The survivability issue was emphasized as a result of the Royal Navy experiences in the Falklands where the low melting point of aluminum greatly contributed to damage and casualties. The missions of the Heritage Class patrol boat will be primarily Search and Rescue, Law Enforcement, and Defense Operations. All of these require independent operations wih the risk of fire, particularly in Law Enforcement and Defense Operations. In a steel hulled vessel there is good opportunity for a trained crew to extinguish even a serious fire and save the vessel. In an aluminum vessel any serious fire is more likely to result in loss of the vessel.

The choice of steel over aluminum allows repairs to be made at almost any government or commercial facility. The skill and expertise required to repair steel is less than that required to repair aluminum. This makes repair of steel patrol boats easier at the remote locations where many Coast Guard patrol boats are homeported.

The Heritage Class hull form was designed to meet all the sponsor's requirements with a steel hull. The advanced hull form requires less power for a given displacement and thus allows the greater safety of a steel hull without compromising performance.

FAST COASTAL INTERCEPTORS

Mr. LEHMAN. The Inspector General recently issued a report on your Fast Coastal Interceptor [FCI] program. These are the high-speed boats used for drug interdiction. According to the IG, you're spending $1.3 million a year to operate and maintain these boats, yet you've only made one contraband seizure with the FCI's in the 15-month period surveyed which required their high speed. What was the quantity and type of contraband seized on that occasion?

[The information follows:]

The FCI seized 241 kilos of cocaine and arrested two people. Street value of the seizure made by the FCI was about $24 million. However, seizures aren't the only measure of effectiveness. The deterrence factor has to be considered, and smugglers are well aware of the FCI's capabilities. Intelligence indicates that traffickers have changed their smuggling routes to avoid these boats.

Mr. LEHMAN. The Coast Guard sees these boats as having a deterrent value. If the drug runners hear how little is being seized with these boats, how much of a deterrent will they be?

[The information follows:]

The perception of their ability to counter fastboat smuggling threats is the reason that our Fast Coastal Interceptors (FCIs) have not been involved in more interdiction cases. This perception of their ability has resulted in abated fastboat smuggling activity at locales where FCIs were prepositioned, limiting the number of available targets and resultant seizure statistics. A specific example of its deterrent value can be seen in our experience at West End, Grand Bahama. There was an established pattern of traffickers making high speed nighttime runs from West End to South Florida. FCI's were deployed to West End to counter the threat. During this extended operation, smuggling activity from West End was nearly non-existent.

Mr. LEHMAN. According to the IG audit, your fast coastal interceptor boats are having reliability problems as well as structural problems, including cracks in the hull. When did these cracks first appear and how serious of a problem do you consider them to be?

Admiral YOST. Yes. The hull cracks began within the first year of operation. That's in about 1987. The cracking is a universal problem, and it continues to be observed on all of the boats. It's observed at the joints between the longitudinals and the cross frames. We can't really get down into the bilges, because the decks are permanent decks, to see what was happening underneath.

These boats are used a lot harder than they were ever designed to be used by the manufacturer. And a lot more. So we think maybe we expected a five year service life. We may reduce that to four. We just don't know.

Before we replace those boats, we will have a consultation with your committee on whether the boats are needed, as Mr. Wolf, I think, mentioned this morning.

Mr. LEHMAN. What effect are these problems having on the operation of these boats and what additional cost are being incurred?

[The information follows:]

Operational mission responsibilities are being met. Precautions are taken to avoid unnecessary pounding of the boats whenever possible.

There is additional cost to repair cracks. Over the last three years, costs for repairing the cracks have averaged approximately $1,500 for each of the five boats. We anticipate spending approximately $10,000 for each of the boats during Fiscal Year 1990 to repair cracks and investigate the source of the problem.

Mr. LEHMAN. What has caused these cracks—is it poor design, poor construction or is the fastboat inadequate for this mission?

[The information follows:]

The Coast Guard drives these boats hard, with estimated use five times that of a pleasure boater. These commercially procured boats, when totally outfitted with gear, are heavier than their civilian counterparts, contributing to increased stress.

Both the operational commander, and the Department of Transportation Inspector General's report state that these boats are adequate for the mission.

Mr. LEHMAN. The IG report claims that these fastboats cannot operate in the shallower waters off the Florida Keys, even though that is a required operating area for this program. Is it true they can't operate in these conditions?

Admiral YOST. No, that's not true. They are not limited by depth. They are fairly shallow draft boats compared to most other boats we have. They are used in and around the Florida Keys and the Florida Bay, and they're used for rapid response to illegal activities in and around Cay Sal Bank area.

The 7th District plans to move the boats to Miami. However, the move is not due to draft considerations but to the efficiency of maintenance and support. We're bringing them up from Islamorada. We don't see a big problem in the draft. Now and then we've seen a drug smuggler go up over shallow water that these boats can't get into because he's running an outboard, very shallow, and we've lost a few that way. But these boats have got to have some sea keeping capability so we're not unhappy with the boats.

Mr. LEHMAN. For the record, please list the IG's recommendations and your response.

[The information follows:]

The following recommendations are from the Department of Transportation, Inspector General's (DOTIG) audit report on the Fast Coastal Interceptor (FCI) program, and our responses to them:

(1) "Determine the remaining useful life of the current FCIs and initiate actions to identify and develop future program requirements for the FCIs." While the FCIs are well within the operating hours that were planned for them, structural problems raise concerns. In light of cracking and spot delaminations, their service life has been estimated at another two years. This is a one year reduction in the vessel's originally estimated five year service life. The Seventh District, as program manager and operational commander, is now reviewing our program needs and developing replacement plans for the current generation of FCIs.

(2) "Utilize seized boats in the FCI program. This could save an estimated $1.5 million in future requirements." There are significant disadvantages against employing a broad mix of boats obtained from the seized vessel inventory. Paramount among these are operational issues associated with training and safety. Notwithstanding these disadvantages we did not (and do not) rule out the use of forfeited boats. We are dubious relative to potential savings to be realized through the use of seized vessels. But if significant savings are available, we are interested in exploiting them. The Seventh District has initiated contacts with Custom's forfeitures and seizures program for assistance in identifying seized vessels that will meet the emission needs.

(3) "Include boats with outboard engines in the FCI fleet." The use of production model boats available on the market, including boats with outboard engines, has been incorporated as evaluation criteria in the selection process for any replacement FCIs. This is possible since the actual employment of the FCIs differs from initial thinking (somewhat negating the necessity for a diesel powered boat).

(4) "Determine if the FCI program should operate in a 24-hour readiness status and if so, program sufficient billets for this level of operation." Both Headquarters (program manager) and the Seventh District (operational commander) have determined that operating FCIs in a "B–O" status (24-hour, zero delay response mode) for law enforcement threats is not warranted at this time. Using an FCI for short, scheduled deployments will allow continued FCI operations with existing personnel support and permit a comprehensive and timely preventative maintenance program to be performed.

(5) "Reassign the FCI and related billets from Station Islamorada to the Miami area." The positioning of the FCIs is under review by the operational commander. While the need for a fast response law enforcement asset at Station Islamorada is recognized, the characteristics of the current Tempest Marine FCIs may limit their effectiveness when assigned to this area of operations. Again, as the current utilization scheme is centering on the FCIs' maintenance needs, the Seventh Coast Guard District is looking to relocate the Station Islamorada FCI and replace it with a more suitable vessel.

FCI FUNDING

Mr. **Lehman**. For the record, please identify any fiscal year 1991 funding for the FCI program and break down how the funds would be used.

[The information follows:]

Anticipated expenditures for fiscal year 1991 will be:

Fuel	$101,000
Maintenance	320,000
Personnel costs	1,072,000
Total funding	1,493,000

These expenses are consistent with fiscal year 1987 figures reported by the DOT IG adjusted for COLA to fiscal year 1991.

BUOY TENDERS

Mr. **Lehman**. Admiral, in fiscal year 1991 you are requesting funds to continue designing a new class of oceangoing buoy tender. This new class is estimated to cost over $350 million over the next five years, and will replace WLBs built in the mid-forties. However, at the same time you are extending the service life of other WLBs—also built in the mid-forties—which will allow them to be operated into the year 2010. Your justification states that the hulls of these boats are still sound. Why don't we SLEP [Service Life Extension] more of these boats, if that will satisfy your requirements well into the next century? Why is a new design necessary? Doesn't a SLEP cost about $25 million less than new construction?

Admiral **Yost**. Yes. But the vessels are not sound enough to last for that long. With the SLEP, the WLB fleet would not last until the new ships came on the line. The SLEP'ed WLBs will last until the ones that replace them come on the line about 15 years from now. So we're trying to extend these old vessels for another 10 or 15 years. The ones that we've SLEP'ed will be the last ones to be replaced. But these hulls are not sound enough for us to extend them for 25 or 30 years, and that's what we need to do. We need a 25 or 30 year boat.

Mr. **Lehman**. Please expand on your answer for the record, and include a schedule showing the SLEP or new construction milestones for each hull as well as force levels during the transition period.

[The information follows:]

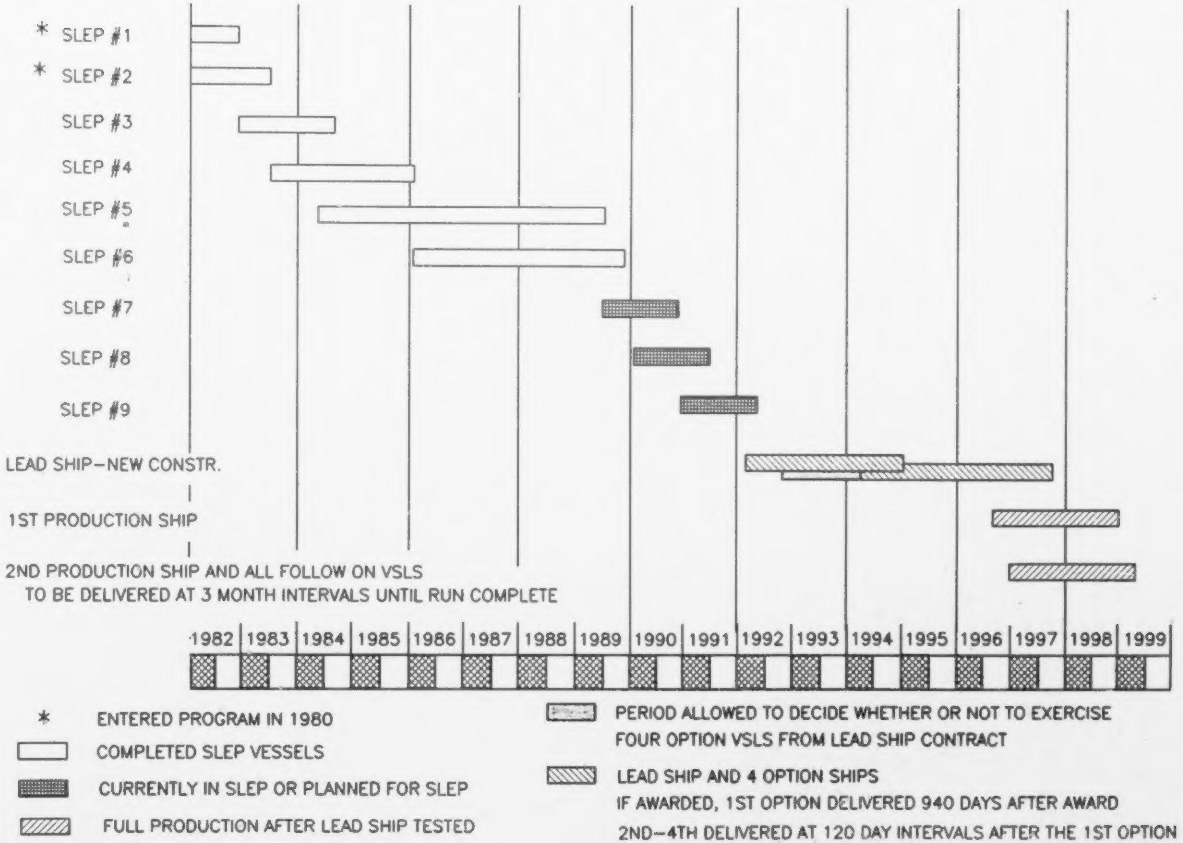
SLEP is only a temporary measure to ensure our existing WLBs remain sound until we can acquire replacement buoytenders. The bottom line is that new ships will be more cost effective overall. A total of six WLBs have completed SLEP. Hulls #7 and #8 are at the Coast Guard Yard now and are due out January 1991 and May 1992 respectively. The last SLEP (#9) is due out in FY92.

The schedule for new construction is as follows:

APR 90: Issue Request for Proposals (RFP).
JAN 91: Award design contract.
APR 92: Award Lead Ship (option for 4) contract.
JAN 95: Deliver Lead Ship.
AUG 96: Award production ship contract.
JAN 99: First production ship delivered.
Remainder of follow-on ships to be delivered at 3 month intervals until the total production run is complete.

The Coast Guard presently maintains a fleet of 26 WLBs. The final number of replacement vessels has yet to be determined. The oldest and those in the greatest need of repair will be replaced first, on a one-for-one basis as new ships are delivered. SLEP ships are scheduled to be replaced last.

SLEP/NEW CONSTRUCTION SCHEDULE



Mr. LEHMAN. Why is the Coast Guard requesting an extensive military specification package on its new Buoy Tender bids when similar size and type of vessels built by the U.S. Navy are primarily built to commercial standards?

[The information follows:]

The Coast Guard uses mostly commercial specifications in its Circular of Requirements (COR) for the Seagoing Buoy Tender (WLB). Military Specifications have been used only in those situations where the military nature of the work or the requirements of a military crew have made it necessary. This is similar to U.S. Navy practices. Most Navy vessels built to commercial standards do not carry military crews. They are auxiliary vessels operated by civilian crews whose requirements differ from those of military crews.

AIDS TO NAVIGATION BARGES

Mr. LEHMAN. In fiscal year 1989, Congress appropriated $6.5 million for new construction of two aids to navigation barges for the Great Lakes. A couple of months ago, you advised the Committee that the $6.5 million would only be enough to procure one barge. This was pretty poor cost estimating—clearly not a budget quality estimate, as is required in budget guidance manuals. Why wasn't such a bad estimate challenged during your internal budget review?

Admiral YOST. Well, you're right, Mr. Chairman. The cost estimating procedure for this project was very badly flawed. It was prepared in the mid-eighties. The initial estimate was based on barge conversion costs associated with the tug barge validation concept. It did not take into account all costs associated with the construction of new barges required for a mission accomplishment and a 30-year service life. We just blew it. It was just bad engineering and I'm very embarrassed about it.

The new marine cost modeling techniques at Coast Guard Headquarters and at the Coast Guard yard are being used now. We're developing a good base of expertise through training and some experience, and the WLB barge combination can replace a WLB on the Great Lakes. In other words, we're going to be able to build one less new WLB because we built this barge combination.

Mr. LEHMAN. In our hearings two years ago, you estimated that conversion in lieu of procurement would cost only $5.2 million for two barges. While not attractive at the time, the recent cost growth indicates that now conversion would save almost 50 percent of the program cost [$8 million out of $13 million]. Is this accurate? And if not, why not?

Admiral YOST. Well, as I said, the estimate was badly flawed. We can no longer build two barges for the amount that was provided. We estimate the construction of a new barge with a 30-year service life at $6.5 million. The new barge alternative, by the way, provides twice the service life for only $2.3 million above what our original estimate was.

Mr. LEHMAN. What's the estimate now for conversion?

Admiral YOST. It's $4.2 million, with the purchase of a used barge and conversion with a 15-year life is—why don't I take an existing barge and convert it? What would the cost be? It would be $4.2 million.

Mr. LEHMAN. Per barge?

Admiral YOST. We could buy a barge and convert it for a total cost of $4.2 million. That would be about a 15-year life barge. We find for $6.5 million, or that is an additional $2.3 million, we can build a new barge that has twice the service life The barge conversion is high risk. It's a high risk strategy to buy an old barge, not know exactly what's in it. You tear into it—you may find you've got some plating problems, some stringer problems in it, and it might cost you more than you think. So it's high risk. We'd rather go with a new barge and do it right.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

The cost of purchasing and converting two used barges for aids to navigation work is estimated to be $8.4 million. This compares with a cost of $11.5 million for the purchase of two new barges (based upon actual bid prices). However, whereas the new barges would have a projected service life of 30 years, the used/converted barges would have to be replaced after 15 years at a price of at least the constant dollar cost of the original acquisitin. In addition, conversion is a high risk strategy. The actual structural integrity of any used barge would be in question until inspected. This could lead to unforseen costly modifications and delays.

Mr. LEHMAN. That will complete our hearing for the day. I wonder whether you will be with us tomorrow at all, Admiral?

Admiral YOST. Let me say before we leave that I understand we've got a reprogramming request up here to do these barges. We open the bids on the 12th of March. Now, if I were you, I would be very concerned that since the Coast Guard's bid has been all over the place, we'd kind of like to see what those bids look like before you do the reprogramming. I'd kind of like to have the reprogramming before I open the bids. Maybe we can negotiate this and get something we can both live with.

Mr. LEHMAN. We want to work with you on it.

Admiral YOST. If you think we can work this out, sir, we can go ahead and open the bids. I hate to open the bids unless I have the money. You hate to give me the money until you know what the bids are.

Mr. LEHMAN. The check's in the mail.

Admiral YOST. All right, sir. I believe that. I did not intend to come tomorrow, sir, I intended to send Admiral Gilbert who is well prepared on all the justification questions. I don't know that I could get prepared overnight. Would you like me to come for some of tomorrow? I will, sir.

Mr. LEHMAN. We have some more general questions tomorrow, too, you know.

Admiral YOST. At 9:45, I'm meeting with the conferees on the oil spill bill with the Secretary. I'd like to work out my schedule so I can be here when you want me here, Mr. Chairman.

Mr. LEHMAN. I was saying we have about 45 minutes more of general questions, maybe an hour of general questions. We have all those problems on the Dolphin helicopter. We could do the justifications first.

Admiral YOST. Could I be here at 11:00?

Mr. LEHMAN. You've got a deal.

Admiral YOST. Thank you, sir.

Mr. LEHMAN. All right. We can stop the justifications and start with you at any time. When you get here, we'll start the general questions. So we'll adjourn for right now, until tomorrow at 10:00. Thank you.

WEDNESDAY, MARCH 7, 1990.

JUSTIFICATIONS

Mr. LEHMAN. The Subcommittee will come to order. Turn to the justifications. On page 6, you show a total, including reimbursables, of 38,312 military and 5,716 civilian positions for fiscal year 1990. What are your current employment levels?

[The information follows:]

Our onboard strength at the end of February 1990 was 37,422 military and 5,683 civilian employees.

EMPLOYMENT LEVELS

Mr. LEHMAN. Are your projected fiscal year 1990 full-time equivalent employment levels of 38,284 for military and 5,653 for civilians still valid? If not, what are the valid projections?

Admiral GILBERT. Yes, sir. Good morning, Mr. Chairman, I would like to divert for just a moment, if I could, and introduce my supporting cast here. I have Captain Ken Thompson on my right.

Mr. LEHMAN. He is familiar.

Admiral GILBERT. He is the head of our Programs Division. Captain Spade is our Budget Division Chief, and Dr. Kassie Billingsley is our Budget Officer.

Mr. LEHMAN. Admiral, I am sorry I did not permit you to introduce your staff, but we are attempting to move as fast as we can.

Admiral GILBERT. Yes, sir.

Mr. Chairman, those projections are still valid. Those are authorized FTE, and that is what we need to run the Coast Guard. I am afraid that when we come back here next year, we may report to you that we did not accomplish quite that level of FTE because of funding problems. We do not have enough money to pay for those people, so I would expect that the actual strength that we will meet this year will be slightly below the number that you quoted.

Mr. LEHMAN. Last year, we were told that your fiscal year 1989 full-time equivalents were valid. However, your actual FTE levels for fiscal year 1989 were about 400 military and 150 civilian FTEs below your estimates. What were the reasons for the shortfalls?

Admiral GILBERT. Yes, sir. I just partially answered that. We are having the same problem this year. We had to absorb the pay raise, as you may recall. Last year, that was about $17,000,000.

Also, our retention rate has been a little bit higher than projected. That makes an older work force and a little more expensive work force. So, with the money that we have, we are not able to quite afford the work force that we are authorized for.

RECRUIT INPUT

Mr. LEHMAN. On page 214, you are estimating 3,609 regular recruits in fiscal year 1990. Would you provide for the record a month-by-month summary of your regular recruit input for fiscal year 1990, including your estimates for the months of March through September?

[The information follows:]

The regular accession requirement for fiscal year 1990 has been adjusted to 3,472 regular recruits. The following table presents regular recruits accessed through February and the estimated accession figures for the remainder of the fiscal year.

Actual:	
October	517
November	219
December	117
January	308
February	351
Projected:	
March	410
April	150
May	150
June	150
July	350
August	360
September	390
Total	3,472

Mr. LEHMAN. Your regular recruit level is estimated to drop from 5,900 in 1987 to 3,564 in 1989 and then increase to 4,342 in 1991. What is the reason for this wide variation?

Admiral GILBERT. Mr. Chairman, I would like to correct our budget. We made a mistake on the 1987 number. That should have been 4,782 instead of 5,900. So, if you make that correction, then it does not look like there is as wild a variation as it was.

As you recall, in 1987, we had some billet growth, so that was a little bit of an anomaly. In 1988, we lost about 1,000 military positions because of budget cuts. We are kind of back to normal in 1989. And normal is roughly 3,500. We need about 3,500 recruits coming in on a normal year. So far this year, it looks like we are tracking along pretty well with the normal figure.

ENLISTED LOSS RATE

Mr. LEHMAN. Your enlisted loss rate has decreased from 16.8 percent in fiscal year 1986 to 12.8 percent in fiscal year 1989. In view of this decrease, why are you projecting an increase in fiscal years 1990 and 1991, and what has your experience been to date so far this year?

Admiral GILBERT. Mr. Chairman, in 1986, again as I mentioned in the last question, was an anomaly because we had to reduce our work force. So, we had some forced attrition in 1986. Our average from 1983 to 1989 was 14.6 percent loss. We are projecting a 13.5 for fiscal year 1990. We are currently experiencing about 13.0. So, we are very close to the projections that we have for fiscal year 1990, so far.

Mr. LEHMAN. Is the enlistment loss those that have not reenlisted or those dropping out?

Admiral GILBERT. Some of both, sir. As I said, we need to bring in about 3,500 people a year, and we move them through a four year pipeline. We are getting about half of them to reenlist in a typical year. We also lose some starting in boot camp, and we lose a few after boot camp before they complete their enlistment. Medical problems, performance problems.

Mr. LEHMAN. Maybe you can break it down for the record just to see where the losses are coming from.

Admiral GILBERT. Yes, sir.

[The information follows:]

Enlisted losses can be broken down by separation codes. Using known historical data, in 1989, we lost 3830 enlisted personnel. These losses were distributed among the following categories.

Reason	*Number*
Separation without reenlistment-but recommended for reenlistment	602
Separation without reenlistment-and not recommended for reenlistment	804
Separation without reenlistment-recommended for reenlistment, but not eligible due to hardship, obesity, etc	651
Retired	477
Conversion of reserve personnel from not eligible due to hardship, obesity, etc.	651
Retired	477
Conversion of reserve personnel from temporary active duty status to reserve status upon completion of temporary active duty assisgnment.	1,269
Appointed to Academy	8
Deceased	19
Total	3,830

ADVISORY COMMITTEES

Mr. LEHMAN. Would you provide for the record a listing of the advisory committees you support, including the amount provided, purpose of the committee and benefits realized by the Coast Guard?

[The information follows:]

The Coast Guard supports ten advisory committees. A listing of these committees, including cost, purpose and recent benefits follows.

Commercial Fishing Industry Vessel Advisory Committee
Purpose: To advise the Commandant and Congress on matters relating to the safety of commercial fishing industry vessels. The Committee is consulted on matters and actions relating to the safe operation of vessels to which Chapter 45 of Title 46 U.S.C. applies, including navigational safety, safety equipment and procedures, marine insurance, vessel design, construction, maintenance and operation and personnel qualifications and training.
Fiscal year 1990 estimated cost: $73,500.
Benefits: The Committee, although newly formed, is already providing invaluable industry-based insight to the Coast Guard for the formulation of the regulations mandated by the Fishing Vessel Safety Act of 1988. The Committee has already developed six recommendations which have been passed on to the Coast Guard through the Subcommittees on General Regulations Review and Assessment; Safety Equipment Regulation Review and Assessment; and Crew Qualifications, Education and Training. It is anticipated that the Committee's contributions will significantly enhance the quality of Coast Guard rulemaking and be a significant factor in the Coast Guard's efforts to formulate rules which will benefit both the small fisherman and the large companies as well.

Chemical Transportation Advisory Committee
Purpose: To provide information concerning operations and daily activities occurring in the transportation of hazardous materials.
Fiscal year 1990 estimate cost: $14,500.
Benefits: The Committee recommended the development of concentration level for the safe carriage of liquefied gas mixtures and recommended regulations implementing Annex II of the International Convention for Prevention of Pollution from Ships (MARPOL 73/78) and issues relating to the occupational safety and health of Coast Guard and shipboard personnel. The Vapor Control Subcommittee has studied the safety aspects of marine vapor

recovery systems and is drafting a set of recommended safety requirements for the Coast Guard to incorporate into regulations. These regulations will then be used as the basis for U. S. recommendations for international safety standards for marine vapor recovery systems. The Marine Occupational Safety and Health (MOSH) Subcommittee monitored a study of the health and safety risks encountered by the typical marine hazardous chemical worker. From this report the Subcommittee will develop a comprehensive health and safety plan for the marine industry. The Subcommittee on Coal Transportation is in the process of writing their final report. It is anticipated that this final report will be the basis for a proposal to amend the current entry for coal in the Code of Safe Practice for Solid Bulk Cargoes.

Coast Guard Academy Advisory Committee

Purpose: To evaluate the course of instruction at the Coast Guard Academy.

Fiscal year 1990 estimated cost: $11,200.

Benefits: The Committee's recommendations have contributed to improvements in the operation and curriculum of the Academy, for example, greater use of library facilities; completion of the Ship Control and Navigation Training System; increased use of the Ship Control and Navigation Trainin System both for cadet training and operational training for the Coast Guard officer corps; and comprehensive utilization of computers across the Academy. This past year the Committee suggested some changes to the Cadet Academic Advisory Board that would make it an active instrument for two-way communications with the Cadets on academic issues. Houston/Galveston Navigation Safety Advisory Committee

Purpose: To provide consultation and advice on the continued development and operation of the Houston/Galveston Vessel Traffic Service and other areas of maritime safety.

Fiscal year 1990 estimated cost: $11,650

Benefits: The Committee's recommendations have contributed to improvements in navigation safety in the Houston/Galveston area. Some major accomplishments: assisted the Coast Guard in the evaluation of the Galveston Traffic Separation Scheme, provided input on the Coast Guard mitigation efforts and waterway management measures for an oil spill in the Houston area; and recommended the establishment of auxiliary channels in two high vessel traffic areas in the Houston/Galveston Ship Channel. This past year the committee recommended Rulemaking that centers the Traffic Separation Scheme (TSS) in the middle of the Traffic Separation Zone. The adjustment alleviates an "S" turn in the precautionary area surrounding the "GA" buoy and the fairway intersection. The committee proposed rulemaking to expand the Bolivar Roads anchorage, providing a shallow-draft vessel anchorage. It provided input to the Notice of Study which concluded that the Freeport Harbor Anchorage Area should not be changed, preserving safe access to the port. It actively solicited input from all waterway users on such issues as VTS coverage, TSS configuration, RACON placement and communications problems. It also recommended to keep the Galveston "GB" buoy in its present location, renaming it, and changing the hull color and the main light flashing characteristics in accordance with IALA standards.

Lower Mississippi River Waterway Safety Advisory Committee

Purpose: To furnish consultation, local expertise, and advice on a wide range of matters regarding all facets of navigation safety for the Lower Mississippi River area.

Fiscal year 1990 estimated cost: $13,500

Benefits: The Committee's deliberations regarding communication, waterway management and environmental safety have served to enhance navigation safety. The Committee recommended changes to the Bridge-to-Bridge Radiotelephone Act, and was the driving force behind a renewed effort on the part of the Federal Communications Commission and the Coast Guard, locally, to enforce the Bridge-to-Bridge Radiotelephone Act. This past year this Committee developed a proposal to move the COLREGS line of demarcation at Southwest Pass and South Pass at the entrance of the Mississippi River and the Mississippi River Gulf Outlet to the territorial sea, alleviating a navigationally hazardous situation. It also submitted a proposal to better define the VHF-CH13/CH67 zones on the Mississippi River in order that the boundaries may be charted to help educate non-regular users of the waterway. A navigational subcommittee has been formed to review overall aids to navigation on the Mississippi River and assist with the planning for the reestablishment of Vessel Traffic Service New Orleans.

National Boating Safety Advisory Council

Purpose: To advise the Secretary of Transportation on policy concerning recreational boating safety; also to consider the need, reasonableness appropriateness and contribution to boating safety of regulations and standards.

Fiscal year 1990 estimated cost: $43,100.

Benefits: The Council has identified safety problems and advised regarding recommended solutions. Some major accomplishments: Researched and tested various experimental types of Personal Flotation Devices (PFD's) and recommended approval of new, more wearable Hybrid PFDs which utilize both inherent, permanent buoyancy and inflation, hopefully increasing the wear rate. Recommended that the National Electrical Code be changed specifically on the heights and clearance of high tension wires passing over navigable waters and parking areas where boats are rigged. Recommended establishment of a national boating safety Hotline to allow consumers to obtain defect recall information for various boats and request boating safety pamphlets via a toll-free 800 number. Performed an in-depth study and reported on the feasibility of requiring mandatory installation of propeller guards for motor boats. Completed a study on the use and regulation of personal watercraft and recommended that the operational control of these craft be regulated by the affected States. Prior to establishment of this Council, the National fatality rate was 22 per 100,000 recreational boats; this rate was 5.5 per 100,000 boats in 1988. This overwhelming decline in fatalities can be attributed at least in part to the Council's efforts in making boats, boaters and boating safer.

National Offshore Safety Advisory Committee

Purpose: To advise the Commandant on matters relating to the offshore mineral and energy industries. It is consulted on matters and actions concerning activities directly involved with, or in support of, the exploration of offshore mineral and energy resources insofar as they relate to matters within Coast Guard jurisdiction.

Fiscal year 1990 estimated cost: $25,100

Benefits: The Coast Guard relies on this Committee to provide information on offshore activities since it does not employ personnel directly involved with the offshore industry. Through general and subcommittee meetings, the committee is developing reports on a variety of regulatory issues, ranging from safety to drug testing procedures, which the Coast Guard plans to use in formulating rules which will benefit all facets of the offshore industry. This is a relatively new committee.

Navigation Safety Advisory Council (Formerly the Rules of the Road Advisory Council (RORAC)).

Purpose: To advise, consult with, and make recommendations to the Commandant on matters relating to prevention of collisions, rammings, and groundings, including, but not limited to: Inland Rules of the Road; International Rules of the Road; navigation regulations and equipment; routing measures; marine information, diving safety; and aids to navigation systems.

Fiscal year 1990 estimated cost: $70,325

Benefits: The Council has promoted clarification of several Rules. Recommended amendment of Inland Rule 14 (Narrow Channel Rule). Recommended that the Coast Guard grant a permanent exemption from the International Regulations for Preventing Collisions at Sea (COLREGS) Vertical Sector Light Requirements for Unmanned Barges. RORAC prepared the text which was the basis for the proposed final new International Rule 8 (f)/Not to Impede. This Council accepted and advised on IMO COLREGS working group report, endorsed in amending 33CFR 84.05 (b) to include "waters specified by the Secretary," endorsed the position that the Bridge-to-Bridge Radiotelephone Act be complied with by all vessels 20 Meters and over in the New Orleans VTS area, and interpreted Rule 3 (d) to include any vessel engaged in fishing using fishing apparatus which restricts maneuverability. This

Council is currently discussing the use of strobe lights for Navy vessels and has a working group considering the use of a distinctive light for public safety vessels.

New York Harbor Traffic Management Advisory Committee

Purpose: To furnish consultation, local expertise and advice on a wide range of matters regarding all facets of traffic management and navigation safety for the Port of New York and New Jersey.

Fiscal year 1990 estimated cost: $8,500

Benefits: This Committee initiated strong action in the form of a letter to the New York City Dept. of Ports and International Trade and Commerce to revoke a Seaplanes Landing Permit at Pier 11 until all pertinent safety issues had been resolved. Individual committee members provided input to congressional hearings on the transfer of the Bridge Administrative functions from the USCG to the U.S. Army Corps of Engineers based on meeting discussions.

Towing Safety Advisory Committee

Purpose: To advise, consult with, and make recommendations to the Secretary of the Department in which the Coast Guard is operating on matters relating to shallow draft inland and coastal waterway navigation and towing safety.

Fiscal year 1990 estimated cost: $29,300

Benefits: Since the Committee began in 1980, it has made a total of 71 recommendations to the Coast Guard. Each one served as a valuable tool in developing sound regulations and policies within the Department of Transportation that would affect the towing industry. The Committee has recommended several regulatory changes concerning: Radar Observer Qualifications, Raked Bow Barge Designs, Bridge-to-Bridge Radiotelephone Communications, new Tankerman requirements, and an improved interval change concerning Drydocking and Tailshaft examinations.

OPERATING EXPENSES

Mr. **Lehman**. On page 15, you are requesting that $30,000,000 of your appropriation be derived from the boat safety account. Is this authorized? If so, why are you proposing to include the words "notwithstanding any other provision of law"?

[The information follows:]

Yes, the $30,000,000 is authorized in accordance with the provisions contained in 46 USCS 13106(c). The "notwithstanding . . ." clause is unnecessary.

Mr. **Lehman**. Your proposal would eliminate the language making $25,000,000 available for two years. What is the reason for this?

[The information follows:]

Administration policy is that Operating Expenses funding should be available for only one year.

Mr. **Lehman**. You are proposing to delete the specific set asides for drug enforcement and environmental protection activities. What is the reason for this proposed change?

[The information follows:]

We feel that specific set aside language is unnecessary to ensure Coast Guard's commitment to these missions. The drug law enforcement and marine environmental protection missions are two of our very highest priorities. Additionally, there are practical difficulties in "earmarking" two of the Coast Guard's programs. The Coast Guard is a multi-mission service. Our greatest source of effectiveness and success rests in our flexibility to respond to any given situation. A number of our people work in several mission areas virtually simultaneously. To mandate that a specific percentage of time be allocated in one or two mission areas in order to meet specific dollar targets for those mission areas could prove to be detrimental to the service and ultimately a disservice to the taxpayer. Carried to the extreme, set asides in every program would provide an operating environment without any flexibility and would also make it virtually impossible to hit spending targets exactly.

DRUG ENFORCEMENT

Mr. **Lehman**. What does your fiscal year 1991 operating expenses budget include for drug enforcement?

[The information follows:]

The Coast Guard's fiscal year 1991 operating expenses program budget indicates that $602,600,000 of the request is attributable to drug enforcement based on the percentage usage of Coast Guard assets and personnel in that mission area.

CARRYOVER FUNDS

Mr. **Lehman**. On page 16, why are you projecting an unobligated carry-over of $18,000,000 for the end of the current fiscal year?

Admiral **Gilbert**. Mr. Chairman, as you may remember, we are authorized to carry over $25,000,000 with our Appropriations Act last year. We had estimated earlier that we might carry over 18,000,000. However, with the Gramm-Rudman-Hollings cuts and the Byrd Amendment cuts, I do not expect that we will carry over nearly that much, if anything, this year. These projections were made up prior to the sequestration and prior to the Byrd Amendment.

Mr. **Lehman**. One good oil spill will take care of that.

Admiral **Gilbert**. Well, yes, sir. We hope we do not have to pay for oil spills out of OE.

Mr. LEHMAN. For the record, could you give us your revised estimate?

Admiral GILBERT. Yes, sir.

[The information follows:]

Our initial estimate for unobligated balance available at the end of FY 1990 was $17,769,000. However, this estimate was developed prior to the sequestration and the Byrd Amendment reductions. We now estimate that there will be no unobligated balances available at the end of FY 1990.

Mr. LEHMAN. Last year, it was indicated that in fiscal year 1988 about 10 percent of your search and rescue cases were going to be referred to commercial operators. What was the actual percentage in fiscal year 1989, and what are you projecting for fiscal years 1990 and 1991?

[The information follows:]

The Coast Guard's Search and Rescue (SAR) data base for fiscal year (FY) 1988 indicated that of the 54,180 cases reported to the Coast Guard, 5,471 or about 10.1 percent of the total were referred to commercial operators. As of 14 March 1990, the FY 1989 SAR data base is 96 percent complete. Of the 52,455 cases reported, commercial operators were involved in 4,355 cases or approximately 8.3 percent of the total.

"Reported" and "referred" are key words in the answer to this question. Our SAR data base includes only those cases reported to the Coast Guard. As the availability of commercial operators becomes better known and boaters obtain towing insurance, mariners needing assistance in non-distress cases are often calling the commercial tow companies directly. Although our SAR station watchstanders may overhear some of these calls, many are made on radio frequencies we do not monitor or are made with modular phones. Generally those cases that are not handled by, or referred through, our stations are not recorded and thus do not appear in our SAR data base. We estimate that as many as half the non-distress cases handled by commercial operators during the last few years were not part of our data base.

We believe that commercial operators presently, and for the foreseeable future will continue to, handle between 10 and 20 percent of non-distress calls for assistance from mariners.

These "unreported" cases account in part for the decline in the total number of cases observed through our SAR data base since FY 1985. We suspect that the actual total number of maritime SAR cases has remained relatively constant over the past several years. Accounting for the growth in the boating population, the percentage of boaters encountering difficulty on the water is believed to be slowly in decline.

SEARCH AND RESCUE SORTIES

Mr. LEHMAN. Last year, you projected an increase of 12,500 hours in your fiscal year 1990 search and rescue sorties. This year, you show fiscal year 1990 time on sorties at 26,000 hours or 60,000 hours below your original 1990 estimate which we were told was based on historical data. Why have you revised the 1990 estimates on time on sorties down by 20 percent?

Admiral GILBERT. Mr. Chairman, when we made those estimates last year, we did not have complete data for fiscal year 1988. When the complete returns came in on fiscal '88, we found that it totaled 254,655 hours as opposed to the original estimate of 296,000 plus a few hours. So, these were based on better data than projections that we had available at the time we made up the budget.

I might also say that since that time, we have had two positive trends that decreased the amount of sortie time. One is the commercial towing industry, that is taking care of some of the work, and also our boating safety programs have reduced the number of boaters that get in trouble. This reduces the number of sorties that we have to respond to.

The average time per sortie has increased a bit in the last few years based primarily on the more severe cases that we are encountering.

Mr. LEHMAN. To what extent does this adjustment reduce your fiscal year 1990 operating expenses?

Admiral GILBERT. Mr. Chairman, as the Commandant explained yesterday, our ships and planes are fully employed to the hours that they are funded for. And, if they are not doing search and rescue work, then they are doing law enforcement or some other mission. So, there would not be any reduction in cost as a result of reduced search and rescue time.

Mr. LEHMAN. Admiral, at this time, we will adjourn from the questions on justifications, and we will proceed with the general questions with Admiral Yost.

Admiral GILBERT. Yes, sir.

OIL SPILL LEGISLATION

Admiral YOST. Mr. Chairman, I might say as I come before you, I just finished a long meeting with some of the conferees to the oil spill legislation. I come away with a feeling of concern that——

Mr. LEHMAN. Is this on the record?

Admiral YOST. Yes. I come away with a feeling of concern that the conferees on the oil spill legislation are looking forward to some sort of appropriation action following their legislation. And I see very little indication that there is any money going to be appropriated outside of the normal budget process. That is, I do not think there is going to be from the Administration a supplemental, or anything like that. So, I just have a feeling of concern that we are going to get a lot of jobs from this oil spill legislation. And, unless this committee finds a way to fund them, I do not see any way the Coast Guard will be doing any of those jobs.

Mr. LEHMAN. Should we express our concern on the appropriation process as being squeezed by the way this oil spill legislation is programmed?

Admiral YOST. I would be making a point to the Budget Committee and to Mr. Jamie Whitten that the authorization people in the oil spill legislation are going to give you responsibilities that are going to require a major increase in function 400 in order to accommodate them.

Mr. LEHMAN. And no new revenues to help you.

Admiral YOST. That may be.

HH-65 ENGINE PROBLEMS

Mr. LEHMAN. We talked at length last year about the reliability problems we were having with the Dolphin helicopter, LTS-101 engine. Has the availability improved since this time last year? Are these problems continuing?

Admiral YOST. Mr. Chairman, the 101 engine problem, the HH-65 engine problem, is very complex, and I brought with me an officer, Commander Foley, that I would like to join me at the table. He is the Branch Chief of the branch that handles the problem with this engine, and we are having some major problems. I would like him to join me at the table.

Here he is. And, if I may, I would like to divert some of those questions to him as we go forward, if you would not mind, sir.

Mr. LEHMAN. No problem.

Admiral YOST. Commander Foley, would you address the HH-65 availability problem, sir?

Commander FOLEY. Good morning, Mr. Chairman.

As Admiral Yost already said, we are quite concerned about the HH-65 availability, and it has been subject to a very aggressive engineering program.

We are proud to say that it is an improving trend. We have gone from a 47 percent aircraft availability rate in fiscal year '87 to the current rate; we just finished fiscal year 1989 at 56 percent. Also during fiscal year 1989, for the first time, we were able to accomplish 100 percent of our aircraft programmed hours.

Progress is not being made just because of more parts or technical improvements. It is a lot of hard work on the part of our aircraft mechanics, pilots and all our operators.

The major reason for the shortfalls in engine availability remains the LTS-101 engine and technical problems surrounding that engine.

Mr. LEHMAN. You can only do so much with a product that is really not up to the quality that you need for this particular helicopter. You can improve it, but you cannot perfect it. Is that what you are saying?

Commander FOLEY. We are confident we can improve the engine and, therefore, the aircraft availability.

Mr. LEHMAN. What would your goal be on this eventually? You moved up from the 40s to the 50s. What should it be?

Commander FOLEY. Our target availability rate is 71 percent availability.

Mr. LEHMAN. Does the Navy operate this same product?

Commander FOLEY. The Navy does not operate this aircraft, sir. It is a commercial aircraft that has been modified for Coast Guard missions.

Mr. LEHMAN. Have they tried to help you with this at all?

Commander FOLEY. The Navy, sir? No. It is an independent effort on the Coast Guard working with the aircraft and engine manufacturers.

Mr. LEHMAN. Staff has said that the Coast Guard has loaned some of these helicopters to the Navy. Is that true? And, if so, how is the availability of those in the Navy service?

Commander FOLEY. We have three aircraft, three HH-65 helicopters on loan to the Navy at the Naval Test Pilot School at Patuxent River, Maryland. They operate in a training environment, scheduled missions, mostly daytime flights. We cannot directly compare it to the Coast Guard mission of readiness around the clock.

Mr. LEHMAN. The TSC was asked to examine various options to solve this problem. What were their conclusions?

Commander FOLEY. TSC, the Transportation Systems Center, through the Department of Transportation, did conduct a study at the request of the Assistant Secretary, Mr. Jon Seymour. The TSC study generally supported the Coast Guard position that the poor availability of the aircraft was directly related to engine availability. They also supported the life cycle cost study that the Coast Guard had drawn up in the program we had established for a parallel three-track program to improving the engine situation. The three-track program would be (1) to continue to improve the LTS-101 engine. Part of the TSC study, the Dean of Engineering from MIT, Dean of Aeronautical Engineering from MIT, studied the technical improvements that Textron Lycoming had on the drawing board, and he deemed those to be technically feasible improvements and well within the state-of-the-art of technology.

So, the first part of that program is to improve the 101 engine. The second part is, we are exploring with the U.S. Army a joint effort of a proof of concept integration of the T–800 engine. The T-800 will be a Department of Defense supported engine that the U.S. Army will be using for their LHX helicopter. The third part, we are continuing to explore other commercial off-the-shelf engines that would be possible re-engine candidates. We tasked the helicopter manufacturer, Aerospatiale Helicopter Corporation, with the study for those engines that were available. That study has just been turned into us and is under review right now.

Mr. LEHMAN. According to the Inspector General, the LTS–101 engine manufacturer was still behind schedule last August and was still delivering substandard parts. The IG report stated that "while there has been some progress, many problems remain with no assurance they will be resolved." Has the Coast Guard reduced the contractor's progress payments or taken other action to provide direct incentives for the contractor to perform?

Commander FOLEY. We did determine in early 1988 that the engine was contractually noncompliant. Our contracting officer at that time issued a letter of contractual noncompliance to the prime contractor, which is the helicopter manufacturer, and commenced withholding payments on all deliveries for engines.

As far as incentives are concerned, at the time the contracting officer was going to render a final opinion on their contract compliance issue, Department of Justice investigation was commenced, and the Department of Justice requested that the Coast Guard contracting officer not render a final opinion pending the outcome of the DOJ investigation which is for instances of False Claims Act violation and possible contract fraud against the engine manufacturer.

Mr. LEHMAN. One particular problem with this engine is cracking of the power turbine wheel. This has been a problem for two-and-a-half years. When will it be resolved?

Commander FOLEY. The solution to the power turbine wheel failure problem is a complete replacement fleet-wide with a redesigned individually bladed power turbine wheel. This fix has been technically identified, FAA certified, and tested by the manufacturer. We have begun to accept deliveries from Textron Lycoming Corporation, and we are about 20 percent complete in the fleet right now. Our goal is to accept delivery of 35 wheels per month and to complete a fleet-wide replacement by the end of this calendar year.

Mr. LEHMAN. On December 19th, an HH–65 helicopter from Coast Guard Air Station Miami had an engine failure in the PT wheel less than one hour after inspection designed to detect PT wheel cracking. Are your inspections adequate for these problems?

Commander FOLEY. The failure at Coast Guard Air Station Miami occurred actually .9 hours after it received the non-destructive inspection that was meant to detect that power turbine wheel cracking failure mode. One thing that is not revealed in that question, sir, is that failure also occurred 26 cycles, or engine operating cycles, since that inspection. They had not accumulated one hour of flight but they were undergoing extensive ground maintenance testing and had 26 cycles.

In that particular failure, flight was maintained. The aircraft was within what we call a safe single engine flight profile. And the aircraft was recovered at the airport with no injuries or damage to the aircraft.

As I have already mentioned, we are commencing this fleet-wide replacement. And that is the ultimate solution to that problem.

In the interim, we have reduced our inspection intervals. We have gone out with field teams to do one-time inspections of the entire Coast Guard fleet. And this has been in cooperation with the Textron Lycoming, the manufacturer.

Admiral YOST. Mr. Chairman, could I add to that? You mentioned the Miami incident. Two nights ago, we lost a helicopter in Puerto Rico. It was an engine failure. We are not sure exactly why the engine failed. He made an emergency landing in a field in Puerto Rico. It was a hard landing. The aircraft collapsed the landing gear and turned over and did extensive damage. So, we have even a more recent case of engine loss.

I am very concerned with this engine. Secretary Skinner is very concerned with the performance of this engine. We think that we can fly the aircraft and fly it safely, but we are watching it very, very carefully, and we have, as the Commander has told you, three alternatives to this. One is to improve the engine, two is to put in a T-800 engine, and the third one is to find a new commercial engine and put it in. All of them are on a different time line. And depending on how many aircraft problems we continue to have is the time line we will select.

Mr. LEHMAN. How many of these engine failures have occurred while in flight?

Commander FOLEY. We have had three failures directly related to the power turbine wheel failure, sir.

Mr. LEHMAN. In the interest of aviation safety, would it not make sense to ground this fleet? This problem has been around. Are you not vulnerable for liabilities, soon, if you do not do something about it?

You are in trouble either way, but which would be the most sensible way to do this?

Commander FOLEY. Well, sir, flying helicopters is inherently risky, just by definition. And the way we fly in the Coast Guard makes it even more so. We put a helicopter through the most demanding environment and demanding missions that I can think of in my entire flying experience.

We did not consider it a flight safety problem. Neither does the FAA. It is the same engine that is FAA certified, and they have chosen not to ground aircraft.

HELICOPTER VS. FIXED-WING ACCIDENTS/INCIDENTS

Mr. **Lehman**. You made a statement that flying helicopters is inherently risky. What is the data about the injuries per man hours of flight compared to your use of other aircraft? Is it much higher?

Commander **Foley**. The HH-65 engine failure data is, in fact, better, or we have had less failures—excuse me. Yes, we have had less failures than we have with our other twin-engine helicopter.

Mr. **Lehman**. I am comparing helicopters to conventional aircraft. You said helicopters are more dangerous. Is there any data to substantiate that, either in military or in civilian aviation?

Commander **Foley**. I do not have the data with me.

Admiral **Yost**. Let us give you that for the record. I think there probably is.

[The information follows:]

Coast Guard aviation safety records indicate that since 1963, the Coast Guard has had 111 helicopter accidents/incidents compared to 41 fixed/wing accidents/incidents. These statistics must be tempered by an understanding that there have been approximately twice as many rotary-wing aircraft as fixed-wing aircraft in the Coast Guard inventory at any given time during that period. Also, significant differences exist between the operational modes and basic designs of helicopters and fixed-wing aircraft. Helicopters are a much more mechanically complex aircraft that sustain aerial flight through a variety of moving parts working in opposition to each other while often operating in a much more hostile environment than do fixed-wing aircraft. Therefore, helicopter flight operations are inherently relatively more dangerous than fixed-wing flight and have a higher associated probability of mishap.

Admiral **Yost**. Let me say that I am in sympathy with the feeling that you have that we need to take a good look and see if we have got a dangerous situation building. We do not think so at the moment, because this aircraft does operate on a single engine. We think it is highly unlikely that two engines would fail simultaneously. So, the helicopter that we lost two nights ago, did fly in on a single engine and we think we are alright. Still, we are looking at it, and we are worried.

Mr. **Lehman**. What I am trying to get at is, is this helicopter a dangerous aberration, or as he says, are helicopters themselves a problem?

Admiral **Yost**. We will provide for the record on helicopters in general. But this helicopter, we are having more problems with than we counted on or that we are contracted to have.

Mr. **Lehman**. I asked a question like that to the National Transportation Safety Board on commercial aviation, and according to what they said, there was no difference, if I recall right, between flying helicopters and flying fixed-wing aircraft.

Admiral **Yost**. Most commercial aviation helicopters are flying and not hovering. Those aircraft are in a flight path. Most of our work is in a hover, a lot of time hoisting. And you have no margin for error in that flight mode.

Mr. **Lehman**. It is a mission problem.

Admiral **Yost**. Yes, sir. It is a mission problem. But this helicopter is giving us far more problems than the contractor said it would give us when we contracted for it. That is why we are investigating it.

Mr. LEHMAN. Talking about the contractor, how has their profit margin been affected on these contracts by the poor performance of the engines? Have they been punished financially?

Admiral YOST. Well, the investigation is ongoing right now. And any agreement that we have following the Department of Justice investigation, any terms of a settlement will be structured such that Lycoming can make a profit only if they improve engine performance.

OPTIONS FOR DEALING WITH HH-65 ENGINE PROBLEMS

Mr. LEHMAN. The Coast Guard has a proof of concept program to determine the feasibility of re-engining the Dolphin helicopter with the Army's T-800 engine. However, as you stated last year, the T-800 is essentially a "paper engine" still in early development. What are you doing as a "fallback option" in case the T-800 development is delayed? Have you explored a lower-risk, off-the-shelf engine, such as the Ariel?

Commander FOLEY. Mr. Chairman, as I previously stated, our program is a three-part program. To improve the 101, first, is our priority. The T-800 proof of concept is a second, albeit a program of the future; it would give us increased mission growth potential. The third alternative would be considered our fallback, and that is our exploration of other potential commercial engine candidates.

Mr. LEHMAN. The Committee is advised that the Coast Guard has contracted with Aerospatiale for a market survey of commercial engine alternatives for the Dolphin. However, Aerospatiale may have a stronger interest in putting the T-800 engine in that aircraft, since the non-recurring engineering work would be greater for the T-800 than for commercial engines, and because it would give the firm a foothold in the DOD market. Would you offer your opinion on the likelihood of an unbiased survey under this contract, and would you explain why Aerospatiale was chosen for this work instead of an impartial third party? When will this study be completed?

Commander FOLEY. I think I can answer that partially. Aerospatiale was chosen because they and they, alone, have the proprietary data that are necessary to evaluate engine candidates for their helicopter.

In the original aircraft acquisition contract, the Coast Guard did not choose the engine that was going to be put on the helicopter, but the helicopter manufacturer makes that selection. It is only reasonable to go back to them. We also have a sustaining engineering agreement with them for doing just this type of work, of evaluating improvements to their helicopter. And that would be the normal engineering path to go for a developmental question.

Mr. LEHMAN. Assuming the three-year T-800 proof of concept is successful, and a decision is made at that time to re-engine the Dolphin with that engine, provide the procurement quantities by year necessary for the re-engining program, and provide Army data showing how many T-800 engines will be in service use in the Army for those years.

[The information follows:]

The T-800 "proof of concept" final report will be delivered November 15, 1991. The decision to re-engine will not be based solely on the success of the T-800, but also on the future performance of Textron-Lycoming in support of the LTS-101 engine and the success of scheduled engine improvements. If a decision is made to re-engine with the T-800, actual procurement quantities by year necessary for re-engining the HH-65A will be developed during the "proof of concept" program. Actual procurement quantities by year required by the Army will be dependent on the status of their LHX helicopter procurements. Procurement quantities used for budgetary and contractual planning purposes are as follows:

	Quantity
Army:	
1995	66
1996	120
1997	240
1998	320
1999	400
2000	480
2001	480
2002	480
2003	480
2004	480
2005	480
2006	480
2007	494
Total	5,000
Coast Guard:	
1993	40
1994	80
1995	80
1996	40
Total	240

JUSTICE INVESTIGATION OF TEXTRON LYCOMING

Mr. LEHMAN. The Justice Department was investigating the LTS-101 engine manufacturer, Avco-Lycoming, for criminal fraud in this program. What is the status of this investigation?

Admiral YOST. Let me take that one. It is an ongoing investigation. We have gotten outstanding cooperation from the Department of Justice. There has been an extensive investigative effort; over a million documents have been examined by the United States Coast Guard in this. I cannot comment on it further, other than it is ongoing.

Mr. LEHMAN. Is Avco-Lycoming part of a conglomerate? Or is it a free-standing independent manufacturer?

Commander FOLEY. Textron Lycoming Corporation that was previously known as Avco-Lycoming——

Mr. LEHMAN. It is a part of Textron.

Commander FOLEY. It is a division of Textron Corporation, yes, sir.

Mr. LEHMAN. Lycoming made good engines 40 years ago. They used to put the Lycoming engine in the Piper Cub.

TECHNICAL PROBLEMS

Admiral YOST. This engine to start with, was a "paper engine". That is, it was not an engine that had run very far in anything or any application. And it was picked for this aircraft because of the high performance specifications the Coast Guard wanted on this French aircraft. And it was picked because it was an American engine, and the French needed that in order to fulfill the "Buy American" provisions when they made the bid. So, it was an engine that was not tested, was not tried and true. And we have had major problems with it. In order to get the performance that is required by the specifications, the engine is operated at full power much of the time. It is red-lined. And, so, it is operating very hot, in the hot ends, and we are having a lot of problems with it.

Now, Commander, maybe you can make that a little more technical.

Commander **Foley**. That is correct, Admiral. The power turbine, the hot end the Admiral is talking about, is the power turbine, the gas producer section. Those are the improvements I mentioned that were investigated by TSC and by the Dean of Engineering from MIT. He considers them technically feasible. The PT wheels are a reality. It is being installed now. The GP, gas producer sections, the improvement is slated for this summer. The improvements are very close at hand.

One interesting note in the acquisition is the final two competitors for the Coast Guard aircraft acquisition of a new helicopter, both possess the same engine. We do not like the engine problems at all, but we were going to be faced with them regardless of which helicopter we bought.

Mr. **DeLay**. Mr. Chairman, would you yield on that point?

Mr. **Lehman**. Yes, I would be happy to yield to you.

Mr. **DeLay**. It is just for this one issue.

The way you describe this LTS-101 engine, I thought you were talking about the Caterpillar engine. Were there other engines considered, like the T-800 in this? Do we have a problem in procurement that ties your hands to be able to buy the quality equipment and quality engines that this committee and the appropriate authorizing committee ought to address?

Admiral **Yost**. I would say probably. And I have said before that the Federal procurement regulations sometimes make it very, very difficult to procure those things that you would like to procure in a timely manner. Now, in this case, we put out a bid, specifications for a helicopter. We had two bidders come in, and the two bidders were the finalists. Both of them elected this engine. We had no way of specifying the engine. We specified a helicopter with performance standards. They came in, both of them with the same engine. It was a paper engine that had never flown. And no matter which one we took, we were going to inherit this engine.

So, yes, we got an engine that we never saw fly. We did not have anything to say about what engine went on the helicopter. We had the low bid of the guy who had the performance standards.

Now, as far as the Caterpillar engine, it was too big for this helicopter. [Laughter.]

Mr. **DeLay**. Very good.

The point here is, under restrictions like "Buy American" and other types of things that does not allow the Coast Guard to buy quality equipment is something that we really ought to address. And we are wasting a ton of money, not just in actual dollars, but in manpower, too. In training.

NEED FOR DOD SUPPORT

Admiral YOST. The Coast Guard is at fault here, too. I have made a rule of thumb, as the Commandant, that I would never again buy a helicopter or an airplane that was not a DOD supported piece of equipment. And this piece of equipment, I am flying the only ones like it in the world. I have 90 of them. It takes a very long time and a lot of money to mature an engine. But I now have got the industry having me mature an engine. And it is not like the Department of Defense is flying thousands of them and we can share the cost and the expertise and the experience and build up flight hours very quickly. Here, I have got 90 helicopters. They build up flight hours very slowly because there are only 90 of them. I do not have anybody backing me up on it. Every problem is mine and all mine. And I am a very small outfit.

I am never again going to buy an airplane or helicopter that is not supported by the Department of Defense. Famous last words, you know. I may get forced into doing that or a future commandant may. But this committee ought to stand firm in not letting that happen.

Mr. LEHMAN. Mr. Wolf?

OIL AND HAZARDOUS CHEMICAL SPILLS

Mr. WOLF. On the chart, No. 5, you said you have responded to 25 oil or hazardous chemical spills a day. If that is accurate, does that mean that the Coast Guard responds to 9,125 spills a year?

Admiral YOST. Yes, sir. That is exactly right. And this oil spill legislation scares me when I see that one form of the legislation would propose that all spills be federalized. So, if we have to federalize 9000 spills a year, I am going to need a lot more people than I have now.

Mr. WOLF. Are these spills that you are talking about casual boaters who spill some gasoline?

Admiral YOST. Yes. They could be spills of any size, from a gallon or so up to the Exxon Valdez. And last year, we federalized 330 spills out of a total of 9000. That is what? 3 percent? Yes, 3 percent. And if this oil spill legislation required me to federalize all 9000, you can imagine how much more money and people I am going to need.

Mr. WOLF. What is the determination for federalizing now? How do you determine it?

Admiral YOST. If the spiller is not responsive in cleaning it up. If he says, "I cannot do it," or we cannot identify the spiller, or he has got such shallow pockets he cannot afford to do it, or he will not do it.

Mr. WOLF. Are most of these major spills that really cause environmental damage?

Admiral YOST. Most of the ones that we end up federalizing are fairly significant spills, but there are a lot of small spills, as well, that nobody knows what happened. You get a report from the marina that there is some oil in the water. And you go down and, of course, nobody says, "I just pumped my bilges." So, you have to contract somebody to clean it up, which means you have federalized it.

Mr. Wolf. When you federalize it, who picks up the cost?

Admiral Yost. The fund, the 311-K fund, as long as there is a fund. But this oil spill legislation may require money to be appropriated by this committee for each spill.

Mr. Wolf. Why would it not come out of the fund?

Admiral Yost. Well, it would. The 311-K fund would be disbanded. It would be folded back into the Treasury or into the new fund. The new fund does not provide automatic Coast Guard draw on the fund. It provides that there would be appropriated money from the fund. And if we had to come in for appropriations every time, then we would have a choice of either not cleaning it up until we got the appropriation, or cleaning it up out of our Operating Expenses. And I have said I will not do that. I will not shut down, let us say, search and rescue in the Great Lakes, in order to clean up an oil spill in New Jersey, because that is what I would have to do. I would have to shut down something in order to clean up the spill until I got the appropriation.

Mr. Wolf. I understand. One other thing, Mr. Chairman, I have some other questions that I would like to submit for the record. Thank you.

FAST BOAT PROGRAM

Mr. Wolf. Last year, Admiral, you testified that the average yearly maintenance cost for the fast boats was approximately $60,000 each. Is that figure still accurate or is it now higher as the boats get older?

[The information follows:]

The figure of $60,000 per boat is still valid. The aging of our FCI fleet has not increased overall maintenance costs. Initial costs were high due to electronic and mechanical breakdowns. While those problems have been resolved, we are now having to deal with some structural problems (related to boat operations—or age). The result is no net change in maintenance costs.

Mr. Wolf. How much do you estimate it will cost in fiscal year 1991 for maintenance of the five fast boats?

[The information follows:]

We have budgeted $320,000 for maintenance in FY 1991.

Mr. Wolf. Could you please provide the subcommittee with projected maintenance cost data for the fast boats for future years?

[The information follows:]

We estimate that the fast coastal interceptors (FCIs) have two more years of service life. We are planning to spend approximately $330,000 and $340,000 for maintenance in FYs 1992 and 1993, respectively.

Mr. Wolf. Other than maintenance costs, are there other costs associated with the fast boats in your budget request for fiscal year 1991, for example, outfitting with special equipment, et cetera?

[The information follows:]

Besides maintenance funding our FY 1991 budget request includes $101,000 for fuel and $1,072,000 for personnel.

Mr. Wolf. Could you please update the information you provided the subcommittee last year as to the location of the Coast Guard's five fast boats and as to the areas where both the Coast Guard and the Customs Service are operating fast boats?

[The information follows:]

Two of the five fast coastal interceptors (FCIs) are at Station Ft. Lauderdale, two are at Base Miami Beach, and one is at Station Islamorada. FCIs continue to support joint operations with the Customs Service in the Bahamas at the USCS forward operating base on Cat Cay, and in multi-unit law enforcement patrols (MULEPATs) in tandem with an Island Class patrol boat and Customs Service fast boats around Andros Island. FCIs are deployed on the two week rotational basis. We also occasionally deploy FCIs to West End on Grand Bahama Island. Other activity centers in the U.S. arrival zone.

HANNIBAL BRIDGE PROJECT

Mr. LEHMAN. Mr. Durbin?

Mr. DURBIN. Thank you very much. I am sorry I was a little late here, but I have a couple of questions. The first one, that is very parochial, relates to a bridge over the Mississippi River, which I had been asking the subcommittee to consider over the last several sessions, near Hannibal, Missouri. And I note that the Coast Guard has about $6,000,000 in its budget request for bridge activities to finance ongoing and planned projects. My question is whether or not this Hannibal bridge project would be included in that figure?

Admiral YOST. Yes, it will, sir. We are requesting $3,000,000 in 1991. The total U.S. share of redoing the Hannibal bridge is about $11,600,000. We presently have sufficient funding to proceed with the work through fiscal 1990 and in 1991, we need $3,053,000 to continue that work through 1991.

GREAT LAKES PILOTAGE REQUIREMENTS

Mr. DURBIN. Okay. Now, that I have taken care of the home front, let me move on to an issue I think of a little greater geographical significance. We are all following very closely the tragic stories of 1989 and 1990 concerning oil spills and other accidents which have occurred and called your agency in for some assistance.

I had an opportunity to go up with Congressman George Miller to view the Exxon Valdez damage, and I might mention the exemplary work being done by the Coast Guard in that area to try to supervise and monitor the cleanup activities of Exxon. I am not going to dwell on that. I think there are many questions for the record related to that spill, but I would like to direct your attention to another concern which many of us in the midwest have, and it is one that has been debated. And, if we can for a few minutes, perhaps if you could share with me your thoughts on it: I have tried to come to an understanding as to our pilotage requirements on the Great Lakes. I would have to confess to you that my understanding is very rudimentary. But if I understand it correctly, there are certain designated waters where we do require pilotage for those vessels entering and leaving the Great Lakes. In addition, there are open waters, or undesignated waters, where no such pilotage requirements are in place.

It is also my understanding that under the Canadian law they issue something known as a B-Certificate for those vessel captains who have a certain amount of experience. We have no comparable certificate in the United States.

I am also told that the Great Lakes, which creates an exemption of compulsory pilotage for the B-Certificate for the Canadian vessels, is the only area in the world that allows merchant vessels of any flag to enter its waters without a pilot.

Now, that comes from a gentleman by the name of Captain Thomas Schnall, who is quoted frequently on this subject. I have never met the man, but he appears to have some pretty strong feelings on it.

When you take a look at the activity on the Great Lakes, if this information I have is correct, and each year 81 million barrels of petroleum and hazardous materials are shipped into the Great Lakes, and that questions have been raised as to whether or not we have adequately required pilotage in the Great Lakes to avoid the possibility of a spill, whether or not we have adequate inventory for cleanup on a potential spill—I wonder if you might address that for a moment, both from the pilotage angle and from the cleanup angle, as to whether or not you feel that the Congress and the Coast Guard are adequately prepared to deal with such a spill or that our present laws are adequate to avoid them.

Admiral YOST. Well, the pilotage issue—and you are, of course, right—it is very complex. And my grasp of it is probably not even as good as yours. It is an international issue. It is one that we have a considerable community of interest with the Canadians.

We are not particularly in favor of their B-Certificate. We have worked with them over the years. They have come close to phasing out that B-Certificate. They are not issuing anywhere near the numbers of B-Certificates that they were previously. And, so, the B-Certificate is becoming less and less of a real world problem, although it is still a bone in the throat of many of our own U.S. pilots.

Now, as far as the need for pilots in the undesignated waters, that, again, is an international item that we look at with Canada. We are fairly confident that the waters that are undesignated are those waters that can safely be transited without a pilot, but I will provide for the record—there is so much, it is so complex—I will provide for the record our position on that issue.

Mr. DURBIN. If I could interrupt for a second, perhaps to clarify in my own mind. It seemed one of the major problems with the Valdez was the fact that after the pilot left, that the vessel was still at least in a potentially perilous situation, and that enough was not done beyond that point when the pilot left and the accident ensued.

Can we draw from that conclusion that perhaps pilotage requirements, if they were reviewed, might be the best way to avoid such spills in the future?

And then, even further, to suggest that if we have international problems with Canada on the use of the Great Lakes, that perhaps we would at least be more mindful of our own ports and the pilotage requirements entering and leaving those ports so as to avoid any possibility of spills in the Great Lakes area ports?

Admiral YOST. I will have to see if there are any ports of any significance in the Great Lakes that are undesignated. I think probably not. Any port where a major vessel, particularly one carrying hazardous cargo, would not be undesignated waters. But I will reply to that as well for the record.

Mr. DURBIN. Would you, please.

[The information follows:]

Generally, for pilotage issues, vessels engaged in foreign trade are under state jurisdiction, and vessels engaged in domestic trade are under Federal jurisdiction. With the opening of the St. Lawrence Seaway to larger ocean vessels engaged in foreign trade, Congress enacted the Great Lakes Pilotage Act of 1960 to deal with the safe navigation of those vessels. While vessels engaged in foreign trade are normally under state jurisdiction, the Act preempted the states and placed Great Lakes Pilotage under Federal jurisdiction. This action was necessary since there are eight U.S. states bordering the Great Lakes, and there is need to coordinate pilotage with Canada.

Our discussion regarding Great Lakes pilotage deals with vessels engaged in foreign trade and not the "Laker" vessels (U.S. and Canadian) engaged in trade exclusively on the Great Lakes. The controlling statute (46 U.S.C. Chapter 93) provides that, in designated waters, the pilot shall direct the navigation of the vessel subject to the customary authority of the master, and in undesignated waters, the pilot shall be on board and available to direct the navigation of the vessel at the discretion of, and subject to the customary authority of, the master.

46 U.S.C. Section 9302(b) states that an individual licensed for navigation on the Great Lakes under section 46 U.S.C. 7101, or equivalent provisions of Canadian law, and qualified for the route being navigated, may serve as the pilot required on waters not designated by the President. That section also recognizes the Great Lakes Navigation Certificate, otherwise known as the B Certificate. This is a certificate issued by Canada to a foreign master which permits that individual to navigate a foreign vessel in the undesignated waters of the Great Lakes without a U.S. or Canadian registered pilot. The requirements necessary to obtain the B Certificate for specific waters include 3 round trips across the lakes desired within the previous 2 years, the ability to speak English, and passing an oral exam on Rules of the Road and Seaway regulations. The United States does not issue a certificate comparable to the B Certificate. In recent years, the number of B Certificates issued has been declining. At the peak in 1961, there were approximately 515 B Certificates outstanding. There are currently only about 23 valid B Certificates.

Generally speaking, the "rivers" are designated waters that include the St. Lawrence River, the west end of Lake Erie, the Detroit River, Lake St. Clair, and the St. Clair River. The vast majority of the U.S. ports on the Great Lakes are located in undesignated waters. Undesignated waters include the lakes and all those waters that are not designated.

There has never been a consensus as to whether pilots should be required on trans-lake voyages on the Great Lakes. The Department of Transportation's Great Lakes Pilotage Study, completed in December 1988, recommended that pilotage requirements not be changed on the Great Lakes; that the United States should continue to recognize the Canadian B Certificate while working with Canada to strengthen its requirements to obtain a Canadian B Certificate. The DOT Study found that there was no statistical evidence indicating that vessels navigated by individuals holding B Certificates were unsafe.

GREAT LAKES OIL SPILL CONTINGENCY PLANS

Admiral YOST. Now, as far as the ability of the Coast Guard and contractors in the Great Lakes to address a spill, we just reviewed our contingency plans in the Great Lakes and brought those contingency plans up to a more significant spill, a larger spill than we had. We have legislation, that is in conference now, that looks at adding more Coast Guard strike teams, more ability for the Coast Guard to cleanup, more Coast Guard oversight over contingency plans, and all of that is in pending legislation.

My concern with it is, I see the requirement coming out of this legislation, I do not see the funding coming for the Coast Guard to do this.

One answer, and one the Administration is very interested in, is encouraging the PIROs. PIRO is the Petroleum Institute Response Organization.

Mr. DURBIN. I am glad you said that.

Admiral Yost. The Petroleum Industry, the "I" is for Industry. The Petroleum Industry Response Organization. That is a group of oil industry folks getting together and funding a response organization made up of five response teams, themselves, privately funded, ready to respond to any oil spill that those companies that belong to PIRO have. And they are available for other spills if the spiller wants to contract with them.

The Administration encourages that kind of thing. And it might well make Coast Guard strike teams less expensive, not so many of them needed. But that needs to be taken care of in this legislation.

Mr. Durbin. But, Admiral, I know this is probably a much larger subject than we can address this morning, but it just strikes me as a little difficult to accept that if we are going to establish the wherewithal to protect the nation's waters and to clean up any spills, that we should assume, then, that that is a responsibility of Government rather than a responsibility of those companies which are, of course, making quite a profit in that venture and who, perhaps in their negligence, would have a spill resolved.

Perhaps Exxon brought it all home. Luckily, we found a deep pocket. But to think that we would sit here and anguish over the fact that, "Well, we cannot have adequate cleanup because we are all reading lips and we cannot raise taxes. We have got a terrible deficit. So, we are just going to say a prayer." It strikes me that there ought to be another element here. I mean the companies involved in this, aside from what you have just described, a private voluntary response, ought to bear a specific financial responsibility to fund this kind of protection for these bodies of waters that they use each day to make a profit.

Admiral Yost. Well, I think that that is what they are trying to do through PIRO. They are making an attempt to do that. Now, you say it is a Government responsibility, and yet, I see the tax committees of this body making the decision that the new fund, that monies that are going into that new fund, will not be used for Coast Guard appropriations, but will be used to offset the deficit.

I see the Budget Committee not giving money in function 400 year after year after year to properly fund the Coast Guard. You are on that Budget Committee.

Mr. Durbin. You just cannot trust the Budget Committee. There is no question about that. [Laughter.]

Admiral Yost. Well, you cannot. But my Chairman has asked me to talk to you about that.

GREAT LAKES PILOTAGE

Mr. Durbin. And you have in the past. I am sure you will again in the future.

I do not want to take any more time of the subcommittee, but if it would be possible, I would like to suggest to you that you settle any concerns in my part of the world in the midwest about this pilotage issue on the Great Lakes. I wonder if there might be some way that we could pursue it both privately and publicly to bring this issue out for discussion? I think it would be a timely opportunity for us to do that. And I hope you will consider it.

Admiral YOST. Let me respond to you in writing on this, and say here that, of course, in, Exxon Valdez, Hazelwood did have a pilot's license, and the Third Mate that was on the bridge was a qualified Third Mate, and he was in waters far wider than we are talking about: eight miles wide. So, it would probably be undesignated waters in the Great Lakes.

Mr. DURBIN. I understand that.

Admiral YOST. So, I do not know where we are on this one, but I will respond to you.

[The information follows:]

The U.S. Government periodically reviews the operation of the Great Lakes pilotage system. The Department of Transportation completed a study of Great Lakes Pilotage in December 1988. The purpose of this 1988 study was to reexamine the issues addressed in the 1972 study of Great Lakes pilotage and to determine what modifications to the system would be necessary or desirable.

The study was conducted by a working group led by the Coast Guard and included personnel from the Department of Transportation's Office of Policy and International Affairs, DOT General Counsel, the St. Lawrence Seaway Development Corporation, the Maritime Administration, and the State Department. The findings and recommendations of the study include the following topic: pilotage requirements, financial oversight, pilot compensation, salty lakers, enforcement practices, and relationships with Canada.

A public meeting was held in Cleveland, Ohio, during June 1987 at the beginning of the review. Members of the team visited the three pilot organizations and accompanied registered pilots on vessel transits. Other interested parties were also visited including the U.S. Great Lakes Shipping Association, the Shipping Federation of Canada, the International Association of Great Lakes Ports, several state government representatives, and several state pilot associations. On March 14, 1988, the Department of Transportation releasd a draft report of the Great Lakes Pilotage Study for public comment. Seventy written comments were received. The final report, the product of an extensive public input process, was release on December 7, 1988.

The final report includes a number of recommendations, some of which require regulatory initiatives. A notice of proposed rulemaking was published in the Federal Register on March 22, 1989 (54 FR 11930).The 60 day comment period ended May 22, 1989, and seventeen written comments were received. We are now in the process of developing the final rule which we expect to publish in the near future.

Mr. DURBIN. I am not sure how far we can go with that Exxon Valdez incident in building a body of law. It is a little unusual. Perhaps if we could get together on the Great Lakes, that would be helpful.

Admiral YOST. If I may, before I leave the mike here, for a moment. When I responded on 330 spills federalized last year, and responded to Congressman Wolf's arithmetic that said that we had some 9,000 spills, and, yes, we did, I would say in this legislation that is now under consideration, the House bill gives the Secretary the authority to federalize, while the Senate bill requires that each spill be federalized. So, of course, we are much more in favor of the House version of that bill as it is presently being conferenced, than we are the Senate bill, which would require us to federalize 9,000 spills.

Mr. LEHMAN. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman. I have no questions.

Mr. LEHMAN. Mr. DeLay?

HH-65 ENGINE

Mr. DELAY. Thank you, Mr. Chairman.

I just want to follow up a little bit on this LTS-101 engine, because I am greatly concerned about procurement. Did I understand you, Admiral, to say that you cannot by contract specify what engines you buy in these helicopters?

Admiral YOST. In aircraft procurement, the normal method of procurement, maybe the only method, is by performance specs. You tell them what you want in the aircraft, and the bidder comes in with an aircraft that meets those specs. Very seldom do they design an aircraft to meet just your needs. They take an aircraft, and they modify it to meet your specs.

Mr. DELAY. But at the same time, when you are in negotiation for these contracts and you have competing engine manufacturers that know that this particular engine is not proven in some cases, maybe not this one, on paper would not work to give you those specs, you cannot go back to the manufacturer and say, "Hey, we do not want this engine."

Admiral YOST. No. The manufacturer of the engine competes against other engine manufacturers with the prime contractor, which was Aerospatiale. Had somebody asked me, do I want an engine that is operating close to 100 percent capacity that is in the hot end, that in hot weather and high altitudes is going to be almost red-lined just to meet the specs, I would have probably said, "No, I really do not want that engine in a helicopter."

Although I am not an aeronautical engineer, my gut tells me that is not the way to buy a helicopter, but that is what we got in this helicopter, and now we have got to see if we can make lemonade from the lemon.

Mr. DELAY. I understand your problem. And you are considering other engines other than the T–800, are you not?

Admiral YOST. Yes. But the only other engine that is available is the Turbo-Meca engine. And that engine would also be operating very close to the high end to give us the specs. It is an engine that does not exist now. It would be a growth from an engine that does exist, but they would add some growth to it to give it a little more power to meet our specifications. It would be an engine that is an alternative, has perhaps a little better record than the engine we have now in its present form. We have not seen it fly very much in the new form. And that is the only alternative that we see.

It is not a Department of Defense supported engine, and, therefore, my gut says, "Let's look at something that is Department of Defense supported." I want to have somebody behind me instead of me being out here on the edge with 90 helicopters trying to mature these engines.

REPORT ON GULF OF MEXICO RADAR COVERAGE

Mr. DELAY. Well, I understand that, and I do not want to belabor it.

Mr. Chairman, I have just got a couple of cleanup questions that I would like to ask.

The fiscal year 1990 Coast Guard Authorization Act called for the Secretary of Transportation, in consultation with the Secretary of Defense to submit to Congress a plan for closing existing gaps in radar coverage along the Gulf of Mexico and the Southeastern United States. When can we expect to receive this report?

Admiral YOST. Can I do that for the record?

[The information follows:]

The Coast Guard Authorization Act of 1990 requested submission of the report not later than 6 months after the date of enactment of the Act, which was December 12, 1989. We expect the report to be submitted to Congress by June 12, 1990.

AEROSTAT SYSTEMS

Mr. DELAY. Okay. And I also understand that the Coast Guard currently operates five ship-based aerostat systems in the Gulf and Caribbean. Would you consider additional ship-based aerostat radar surveillance systems a viable means of monitoring illegal narcotics trafficking in the Gulf and Southeastern regions?

Admiral YOST. We have just gotten the five. The last one came on line within the past several weeks. We have not had enough experience with them, yet, for me to come to this committee and ask for more taxpayers' money. I just want to wait and get a little more experience with them and see what the results are going to be. The results are not knocking my socks off right now, and I do not know why. Whether it is equipment, whether it is the way we are using it, whether it is the concept, I am not comfortable, yet.

Mr. DELAY. Admiral, and I will close with this, Mr. Chairman, Texas A&M University is proposing a program called NIDAR. I forget what the letters stand for. It has to do with integrating the process of interdiction by using engineering computers and all kinds of things. It seems to me—at least our experience along the Texas coast and not only narcotics coming across land, but by sea—there is very little coordination with all this high-powered technology that we have. We have the Coast Guard and the Navy, and we even have our airport radars that identify aircraft. And no one talks to one another.

And I want to visit with you between now and the end of the year about a proposal by Texas A&M University that has all this capability of engineering schools and computer science and all this, to coordinate and create systems by which one can talk to the other.

To give you an example—by the way, it is called the National Institute for Drug Abatement Research—to give you an example: where the new way of operating, as you well know, is light planes coming from the south, dropping bags down into the water and small boats picking them up and going on, they are hard to identify. But the computer system, for instance, would be into the FAA computer system, where a plane is identified along with identifying a craft. And when the two cross, a red alert goes off, and the Coast Guard or Customs can just monitor that craft coming back and catch them at the dock, rather than spending a lot of time out chasing them around the open sea.

That is oversimplified, but it is that kind of proposal. We are spending a ton of money on drug interdiction, and I am not sure that there is a true coordinated effort to use all the technology available to us.

Admiral YOST. Such a system briefing would be very welcome. We think we are doing a pretty good job of integrating most of the sensors. You know, we are bringing them all in to C^3I in Miami. But they are not the airport sensors. They are Federal sensors for the most part. And the aircraft are data-linked into that center as well. It is very expensive to data-link this stuff together, but we think we are doing a pretty good job. I would be very happy to look at a better idea.

Mr. DELAY. But even in questioning you, yesterday, you talked about, "Well, that is Customs. And I am not sure what Customs has to do." You know, Customs ought to talk to you.

Admiral YOST. Well, they do.

Mr. DELAY. Well, I am not sure they do it as much as you would like for them to.

Admiral YOST. In that Blue Lightening Operation Center that we talked about in Houston, yesterday, I have six Coast Guardsmen on watch there for the purpose of talking to the Coast Guard District Commander and sharing between the Ops Centers. But I want to see the system of Texas A&M. They are a very well known and very capable engineering college.

Mr. DELAY. Thank you. And thank you, Mr. Chairman.

C-130 RADAR

Mr. LEHMAN. Thank you, Mr. DeLay.

Congress has provided $42,000,000 to integrate a 360-degree radar on a Coast Guard C-130 aircraft for better drug interdiction surveillance and tracking. What is the status of this procurement?

Admiral YOST. The Air Force Logistics Command is managing the installation under a memorandum of agreement that we signed with them. The funds have been transferred to the Air Force. That was done on the 22nd of November 1989.

The 130 was transferred to the prime contractor, General Dynamics, on the 4th of December. The E2C weapons system that we borrowed from the Navy was delivered to the prime contractor three days ago. That is the 2nd of March 1990. We expect that project to be complete by September of 1991, a very expensive project. And, if it works, we think that it will, that may be the weapons system of the future against drugs as opposed to E2C.

Mr. LEHMAN. Last year, you expected several competitors for this work. Do you still expect heavy competition?

[The information follows:]

The U.S. Air Force's Office of Special Projects is managing the procurement for us under the terms of an existing Memorandum of Agreement. The prime contractor was selected with other than full and open completition due to national security considerations.

HH-60J HELICOPTER

Mr. LEHMAN. The Coast Guard is procuring several HH-60J helicopters, which is a modified version of in-service Navy SH-60 helicopters. Funding was provided last year for a dedicated Coast Guard simulator for these aircraft, which is currently the subject of a bid protest. What is the nature of the bid protest, and what is its status today?

Admiral YOST. As you know, Mr. Chairman, the bid was awarded to AAI Corporation in Orlando, Florida. It was protested by Grumman Electronics, but that protest was withdrawn on the 20th of February, and the contract is going forward.

Mr. LEHMAN. There is no problem on the procurement of the helicopter, just the simulator?

Admiral YOST. Just the simulator, sir.

Mr. LEHMAN. Your fiscal year 1991 request includes $9,000,000 for HH-60 training devices and equipment. What are these items, and how does their scheduled need date relate to that of the flight simulator?

[The information follows:]

The training devices requested in the FY91 budget are all intended to train enlisted personnel in HH-60J aircraft maintenance. The budget line item includes the following specific training devices and equipment:

An Automatic Flight Control Systems (AFCS) Trainer.

An Avionics System Hot Mock-up.

Major end items (e.g. engines, transmissions, gearboxes) that will be used to provide hands on training aids for students attending resident courses at the Aviation Technical Training Center (ATTC), Elizabeth City, North Carolina.

Maintenance training courses are scheduled to begin at ATTC in June 1990. The delivery schedule for the AFCS and Avionics trainer is anticipated to be June 1993. The critical path to construction process is the long lead time to acquire the avionics hardware. In the interim period, the maintenance courses will use the actual aircraft and major end items as training aids.

The flight simulator funded in FY 1990 will increase the quality and reduce the cost of pilot training at Aviation Training Center Mobile. It will be used to train Coast Guard pilots in normal and emergency flight procedures. The maintenance training devices will expand the scope of the maintenance courses replacing classroom instruction with hands-on opportunities. The flight simulator and maintenance training devices are equally important to the overall training system and are required as soon as possible.

OPBAT HELICOPTER PROCUREMENT

Mr. LEHMAN. Your fiscal year 1991 request includes $45,000,000 to begin procuring HH-60 helicopters for the Operation Bahamas, Turks and Caicos drug interdiction effort. Please explain why these new aircraft are needed at this time and describe their role in the OPBAT operations.

Admiral YOST. We currently have in the OPBAT operation H-3 helicopters. They are getting old. They need to be replaced, and we want to replace them then with, again, a Department of Defense supported helicopter. We are already buying H-60s, and so that is what we want to replace them with. These helicopters maintain an alert status in the Bahamas 365 days a year.

The operations center in Nassau run by DEA provides the intelligence and the coordination for the helicopters. They carry DEA agents and Bahamian police. And when they find a drop or a landing of drugs, they land the helicopter and the police and the DEA agents go out of the helicopter and do an apprehension.

Mr. LEHMAN. What is the annual operating and support cost for one of these helicopters and how does that compare to the existing fleet of OPBAT helicopters?

Admiral YOST. The H-3 is costing us a little over $1,000 an hour. The H-60J will cost us a little over $1,200 an hour. The cost increase is less than $200 an hour. It is less than $145,000 a year. It is a much more capable aircraft, much faster, a much faster response time, more sophisticated. And the H-3s are getting older.

We just cannot keep them operating forever. We need to replace that airplane with a DOD supported airplane.

Mr. LEHMAN. Your justification shows a 5-year cost of $165,000,000 to procure 11 aircraft. That is $15,000,000 per copy. Why is such an expensive helicopter necessary?

Admiral YOST. The last time we went out for helicopters, we went out commercially because we thought the Department of Defense helicopters, airplanes in general, were too expensive. They have a lot of military capability built into them, et cetera, and so we got the HH-65. It has given us nothing but troubles. I do not have any support anyplace else. I do not ever want another helicopter or airplane that is not a DOD airplane. It is cheaper in the long run to buy a $15,000,000 helicopter that I have got the support for than to find a $12,000,000 commercial helicopter that gives me headaches.

Mr. LEHMAN. The staff tells me the Apache, which is a much more complicated helicopter, costs $18,000,000.

Admiral YOST. I cannot tell you what the Apache runs.

ACQUISITION PERSONNEL TURNOVER RATE

Mr. LEHMAN. Admiral Yost, the committee remains concerned over the personnel turnover rate in the acquisition area. A heavy reliance on military personnel who are rotated every couple of years prevents the buildup of experience in individual acquisition programs. It does not seem that more classroom training or a dedicated acquisition career track will fully address this problem as long as the staff are still being rotated in and out frequently. What are your initiatives to deal with this problem?

You mentioned it a little earlier today.

Admiral YOST. Well, I am not sure, but so far as using civilians in our RIOs and as project officers, we have so few projects and most of them are fairly short term, that we have been unable to—we just cannot provide a career ladder for civilians or very many civilians in that operation. We have had military people in there. They are well trained.

Frankly, our civilian turnover has been almost as high as our military. We are not like DOD where we have a lot of projects, constant projects that we can use a big civilian force and turn them from one project to the other. We just do not have that.

INCREASED AC&I POSITIONS

Mr. LEHMAN. Your fiscal year 1991 budget requests a 10 percent increase in AC&I military billets and only a 2 percent increase in civilian positions. Why is it necessary, in your view, to increase the relative number of military personnel involved in acquisition, given the rotational problems we already face?

[The information follows:]

We have requested an increase of 16 AC&I military billets and 8 AC&I civilian positions. The military billets represent a 4% increase and the civilian positions represent a 3.5% increase. Thus, the realtive relationship between the military and civilian increases remains about the same. The Coast Guard's rotational policy is consistent with that of the other military services. Also, our experience indicates that rotational problems are no worse for military billets than turnover is for our civilian positions.

[CLERK'S NOTE.—The Coast Guard is requesting increases of 4 and 3-5 percent in military and civilian full-time permanent positions in fiscal year 1991. The comparable increase in full-time equivalent (FTE) employment is 10 and 2 percent, for military and civilian, respectively.]

Mr. LEHMAN. In the Navy, it is standard practice to have a military program manager backed up by a civilian deputy. This maintains institutional knowledge even as program managers change. Has the Coast Guard explored setting up a similar system?

[The information follows:]

The Office of Acquisition is pursuing civilian deputies for two of its projects. However, our experience shows civilian turnover is similar to turnover which results from military rotation policy.

Mr. LEHMAN. For the record, provide the average number of months in their current positions for incumbent acquisition project managers and describe the effect that new initiatives may have on this level.

[The information follows:]

The imcumbent acquisition project managers have spent an average of 33.1 months in their current positions. New initiatives generally require the identification of a new project manager which would, of course, lower the average months figure. In some instances, a new initiative can logically be combined with an existing project and managed by the same project manager. In that case, the average months figure would be unaffected.

ILLEGAL IMMIGRANTS

Mr. LEHMAN. Before turning to preparedness and reserve training, let me bring up a problem we have from year to year in Miami that you really do not have a policy role in, but you are sort of a player, that is the illegal immigrants.

As you know, on January the 20th, General Avril imposed a state of seige in Haiti. And that has been lifted. Many observers doubt that the situation has improved. I have Haitians coming to my office in Miami every time I am down in the district. Can you fill us in on the impact of this situation on Coast Guard activities?

How many Haitians has the Coast Guard interdicted since mid-January and what percentage were returned to Haiti? Do these numbers indicate any trends?

The people out at Krome usually come from the airport. But the people you interdict usually do not get to Krome, the way I understand it.

Admiral YOST. That is right. We find that if we can interdict at sea and return the immigrant to Haiti, we save the American Government about $20,000 per immigrant because that is what it costs once the immigrant lands and is processed through Krome and other places. It costs the American Government about $20,000. So, we make an attempt and a lot of time to do that.

Mr. LEHMAN. $20,000 if they are deported. If they are not deported, it may be more.

Admiral YOST. It may be a lot more. And, so, the effort is to interdict or intercept the Haitians well before they get into our territorial sea.

We have had an increase in the number of Haitians attempting to get out of their country. And I will give you those figures in writing if I may, since mid-January; but there has been a definite increase. It does impact on our drug interdiction mission because now we have almost two vessels full time in Haitian interdiction. And that means that is one less vessel we have for drugs.

[The information follows:]

The Coast Guard interdicted 138 Haitian immigrants between January 15, 1990 and March 30, 1990.

Mr. LEHMAN. Do you have the INS officer available for so-called due process that you are required to do?

Admiral YOST. Yes, sir. We always do that. And we find that the Haitians almost invariably are economic migrants and not political migrants, so we are able to return them.

Mr. LEHMAN. But none of them are returned until they have a chance to be interviewed?

Admiral YOST. That is true. The INS man interviews each one and determines whether there is a political overtone to his immigration. If there is not, he is declared an economic migrant and we return them to Haiti under our treaty.

Mr. LEHMAN. What percentage, if any, of the so-called refugees are not turned around to Haiti? Do you have any numbers?

Admiral YOST. I will do it in writing, but it is certainly less than one percent. It is infinitesimal. I am not sure if we have ever had one. It is that kind of number, one hand.

Mr. LEHMAN. Out of how many?

Admiral YOST. Out of hundreds, out of thousands.

We do not have a political repressive government in Haiti. What we do have is an economy that is very, very bad as you know, Mr. Chairman.

Mr. LEHMAN. I am not going to belabor this, but they tell me that, yes, when they are deported to Port-au-Prince, fine, but once they go back up in the native villages after they have tried to leave, there is a Tonton Macoute problem that they have to deal with and it is just hard for me to believe that out of, you say, thousands that some of these people under a dictatorship, even in the villages, do not have a justification. I just wanted the information.

[The information follows:]

As of March 15, 1990, the Coast Guard has interdicted 21,919 Haitian migrants. The Immigration and Naturalization Service determined that only six of these migrants had possible legitimate asylum claims, and they were admitted into the U.S. to pursue their claims before an Immigration Judge. The final disposition of these cases is not know to the Coast Guard.

CUBAN REFUGEES

Mr. LEHMAN. Now, at the same time, and this is what I get hit with in Miami, and you know what it is. How many Cubans have been interdicted and what happens to them? Are any of them returned to Cuba?

Admiral YOST. Almost all the Cubans that are interdicted, and there have been quite a few, almost all the Cubans that are interdicted are found to be political migrants and are allowed into this country. And, of course, that gives us the appearance of "No Haitian is allowed in. And all the Cubans are allowed in."

That is a State Department and an INS problem.

Mr. LEHMAN. You just have to do it.

Admiral Yost. I just run the police force.

Mr. Lehman. I just wanted your information on that because it just seems almost absurd that every single Cuban comes as a political refugee and no single Haitian comes as a political refugee. That just does not make any sense. But we are not here to argue the political realities, but just the facts.

Admiral Yost. Yes, sir. And I would need to report to you in writing on some of those numbers.

MILITARY PREPAREDNESS—MOBILIZATION PREPAREDNESS

Mr. Lehman. Last year, you indicated that considerably more needs to be done for you to be able to meet your mobilization requirements, particularly in the area of obtaining communications equipment. What progress has been made in this area during the past year?

[The information follows:]

Coast Guard military readiness depends in large part on joint Coast Guard/Navy action. Specifically, for the Maritime Defense Zone (MDZ) mission, the Navy funds procurement, installation and maintenance of equipment while the Coast Guard is responsible for upgrading the facilities to accept the equipment. Within the past year there has been progress, but we still have a long way to go. The status of command and control capability, Coast Guard command centers, and secure communications follows:

Navy Command and Control (MDZ) workstations have been installed at 10 of 13 designated Coast Guard units. These workstations are scheduled to be connected to the Defense Data Network in FY90. However, follow-on maintenance and replacement funding has not been provided.

Of 86 Coast Guard Command Centers scheduled to receive MDZ equipment, only 11 are complete. the Navy spent $1.4M for these installations, but does not have sufficient fuding to complete equipment procurement, installation, and maintenance. Likewise, Navy follow-on funding has not been provided. The CG has spent $600k for site upgrades and obligated an additional $890K in January 1990. Coast Guard site upgrade funding is keeping pace with Navy installation funding.

Secure Communications capabilities are improving at field units. HF secure voice installations aboard cutters and aircraft are complete. A total of 442 systems are installed aboard Coast Guard cutters 82' and above and all aircraft with the exception of the HH-65. Vinson UHF secure voice installations are one-third complete with 140 systems installed of a total 442 on aircraft, cutters and air stations. STU-III secure telephone installations are complete with over 2400 fielded.

ANTI-SUBMARINE WEAPONS FOR WMEC

Mr. Lehman. Has any final decision been made yet on whether to equipment your 270-foot cutters with anti-submarine weapons?

[The information follows:]

The final decision will not be made until after March 1991. Currently the 270-foot Medium Endurance Cutter (WMEC) Required Operational Capability (ROC) and Projected Operating Environment (POE) statements do not include any requirement for Anti-Submarine capability. Also, there is no Operational Requirement (OR) for the cutter to have anti-submarine weapons. A Tentative Operational Requirement (TOR) exists for the Coast Guard to have a lightweight portable sonar capability on 110-foot Patrol Boats (WPB)s, 210' WMECs, and 270' WMECs, with the 270' WMEC proposed as the candidate platform to test any suitable equipment. While specific equipment is being considered under the Lightweight Portable Sonar Porject, a Development Option Paper (DOP) is being pursued that will determine if a real need exists that would justify converting the TOR into an Operational Requirement (OR). Factors such as potential ASW threat, cutter weight/space limitations, area of operations, and available equipment will be examined in the preparation of the DOP. The DOP, which is due in March 1991, will be the basis for making a final decision regarding the 270' WMEC having anti-submarine weapons.

Mr. LEHMAN. What is the status of the anti-submarine warfare readiness report requested last year by this Committee?

[The information follows:]

The Senate Appropriations Committee Report (Senate Report 101-121) on the Department of Transportation and Related Agencies Appropriations Bill, 1990, requested the same information and requested that the report be submitted by April 1, 1990. The report has been drafted and is being reviewed. We expect to have the report to the Senate and House Committees by April 15, 1990.

SELECTED RESERVE MOBILIZATION REQUIREMENTS

Mr. LEHMAN. Last year, you indicated that your selected reserve was between 7,800 and 14,000 below your highest priority mobilization requirements. What is your present situation?

[The information follows:]

We have not made any progress toward meeting our goal to increase the size of our Selected Reserve.

The FY 1990 President's budget request would have allowed us to increase the Selected Reserve size from 12,100 to 12,600. The appropriation level enacted will support a Selected Reserve of only 12,050. The slight reduction from the FY 89 level is due to the effects of sequestration and the Byrd Amendment. Our FY 1991 request to fund growth of the Selected Reserve by 650 to 12,700 is a modest increment which will still allow the Coast Guard to meet only 46% of its full mobilization requirements.

RESERVE QUALIFICATIONS

Mr. LEHMAN. Have you made any progress during the past year in improving the percentage of reserve personnel assigned to billets for which they were fully qualified?

[The information follows:]

We have made significant progress on improving our overall qualifications during this past year. At present, 94 percent of our reservists fill billets for which they have completed the minimum qualifications. This is an improvement over last year's rate of 90 percent. Additionally, 76 percent of our reservists now fill billets for which they are fully qualified. This represents an improvement over last year's rate of 53 percent. Overall, Coast Guard reservists are substantially ready to fill their mobilization billets.

RESERVE TRAINING ACCOMPLISHMENTS

Mr. LEHMAN. What do you believe has been the most significant accomplishment of your reserve training program during the past year?

[The information follows:]

Our Reserve Training Program's most significant accomplishment this past year was its growing contribution to the readiness of the Coast Guard. Reservists skills were put to the test this year by joint service exercises as well as several "real life" domestic emergencies.

Reservists volunteered throughout the year to augment active force units to perform a variety of key operations and to respond to environmental crises. Three hundred reservists provided over 13,000 days of duty and expertise to the *Exxon Valdez* oil spill response and clean-up operation. Reservists provided half of the boat crew response for the Tank Vessel *World Prodigy* oil spill in Rhode Island and were also on hand for the Tank Vessel *American Trader* spill in Huntington Beach, California.

During Hurricane Hugo, reservists were among the first to respond in South Carolina, Puerto Rico, and the Virgin Islands to assist in evacuations, airlifts, and replenishment operations.

Ongoing Reserve performance included providing waterside security for the space shuttle launches and the America's Cup races. Reservists also bolstered the presence of the U.S. Coast Guard on the Colorado River by conducting search and rescue sorties. This effort resulted in 277 boardings and 68 rescue cases.

Exercises continue to grow in intensity for our Selected Reserve. Forty-three percent of the Pacific Area reservists devoted over 12,000 days of participation in support of the Maritime Defense Zone during a joint service training exercise on the West Coast.

SMALL ARMS TRAINING

Mr. LEHMAN. Please update for the record the figures on small arms training that were included on page 843 of last year's hearing record.

[The information follows:]

Fiscal year 1989 data on Reserve Small Arms Training is not currently available. Due to a recent revision to field reporting requirements, these data will not be submitted to Coast Guard Headquarters until May of this year. It will be provided to the Committee upon receipt.

LAW ENFORCEMENT MISSION

Mr. LEHMAN. A recent article indicated that more and more recruits are joining the Coast Guard because of their interest in your law enforcement mission. Have you found this to be the case? If so, how well are these recruits responding to your other missions?

Admiral YOST. This article I think was a New York Times article. I have it in front of me. I think it was a reporter basically exploring the attitude of some of our Coast Guard men and women, and it pointed out that there were some men and women who felt that they came in the Coast Guard to save lives and property, and others felt that they came in the Coast Guard to fight drug interdiction.

I would say to you, on balance, drug interdiction is a morale building mission with my young people. They like the mission; they do it well, and by and large, it's a morale builder and not a problem.

Mr. LEHMAN. As the focus of your operation moves more toward drug interdiction, to what extent have you had to modify your training?

[The information follows:]

Recruit training: Law enforcement-related training at this level consists primarily of firearms familiarization. It has not changed due to the increase focus on law enforcement.

Follow-on training: The overall program is continuously adjusted to changes in laws and regulations. The training program was changed to reflect the Coast Guard's growing involvement in maritime law enforcement, and particularly drug interdiction, over the last 10–15 years. In particular, the Coast Guard has developed several short (1–5 weeks) maritime law enforcement courses at its Yorktown and Petaluma training centers.

The total number of students going through the MLE schools started at 140 in 1978 and has increased steadily to 1079 in 1989. We anticipate law enforcement training to remain at this level over the next several years.

PILOT ATTRITION

Mr. LEHMAN. We have discussed the problem you have had in keeping your pilots. However, last year, you stated that you thought you had solved the problem. What's the aviator situation now?

Admiral YOST. We are doing a better job at retaining pilots than we have been in the past. However, the airlines are still hiring. We expect the airlines to continue to hire up through 1991 or 1992, to be in a hiring mode. So we're still having problems retaining pilots. In fact, I expect the airlines to be hiring up through the mid-nineties.

But it's getting better. For instance, in 1987 we had 7.6 percent attrition of our pilots. In 1988, it dropped to 6.2. In 1989, it dropped to 4.1. In 1990, we're projecting 3.8. So it's going down, but it's still costly. And I don't see any way around it until the airlines get finished with their hiring in the mid-nineties.

Mr. LEHMAN. Last year you indicated that you expected your 1989 aviator attrition rate to be about 1.6 times the non-aviator rate. Please provide the comparative rates for the record.

[The information follows:]

Final FY 89 statistics indicated aviator attrition at 1.7 times the non-aviator rate. Projections for FY 90 indicate an aviator attrition rate of 1.1 times the non-aviator rate.

	Aviator (percent)	Nonaviator (percent)	Comparison Aviator-nonaviator
Fiscal year:			
1986	6.3	3.8	1.7
1987	7.6	2.4	3.2
1988	6.2	2.7	2.3
1989	4.1	2.4	1.7
1990	3.8	3.4	1.1

Note.—Fiscal year 1990 figures are based on February 1990 projections

Mr. LEHMAN. Are you having any recruiting or retention problems for your other technical specialties?

Admiral YOST. No, we aren't. We don't have any recruiting problems. Our officer retention is excellent. Our recruiting in the enlisted area is very, very good. There are a couple of little problems in the area. One of them is the A-76 process has reduced billets in some short station areas. So we often have people who are in a particular rate, for instance a subsistence specialist rate, who don't have many shore stations to come home to and so they spend an inordinate amount of their career at sea. And that will cause us retention problems. But other than those problems which we need to manage better, we're doing all right.

RECRUITING BUDGETS

Mr. LEHMAN. Please provide for the record a breakdown of your Fiscal Year 1990 and 1991 recruiting budgets.

[The information follows:]

The budget includes funding for Recruiting Commands, Headquarters cost, and advertising on the national and local level.

[In thousands of dollars]

	Fiscal year—	
	1990	1991
Recruiting operating expenses	3,867	4,022
Advertising:		
Fixed expenses	638	663
Media expenses	266	277

[In thousands of dollars]

	Fiscal year—	
	1990	1991
Direct marketing expenses	422	439
Creative expenses	236	246
Support/administrative	51	53
Minority recruiting		600
Total	5,480	6,300

MORALE

Mr. **Lehman**. What is your assessment of morale, both military and civilian?

Admiral **Yost**. I think the morale is extremely high. I don't think it's been any higher in my time in the Coast Guard. The members of the Coast Guard are proud of their service. They're proud of the positive image that we've got in this last year from the *Exxon Valdez* and the Huntington Beach spill, from the earthquake in San Francisco and our response to Hurricane Hugo. And I'm extremely proud of my people. We're in good shape, sir. We've got a couple of problems. One of them is housing.

I hear one problem time after time as I go throughout the service. It's, "Sir, we cannot afford to live in this expensive area." And so we're attempting to improve housing in this budget; we have in this budget some housing money in AC&I that I hope you'll support for me.

Mr. **Lehman**. The trouble is the Coast Guard happens to be in the most expensive real estate in the country. Why can't you settle in Iowa someplace?

Admiral **Yost**. We have gone to the Great Lakes, you know, sir.

HOUSING

Mr. **Lehman**. A recent article quoted one of your chief petty officers as stating that housing is the "No. 1 burning issue in the Coast Guard." The article mentions that with coastal real estate prices skyrocketing, renting or buying a house is a problem and that your agency's access to DOD housing is decreasing. To what extent is housing a problem area and if it is a problem, do you have any plans to address it?

[The information follows:]

Housing is the Coast Guard's number one personnel issue. Currently, 67% of Coast Guard members own or rent on the economy. Approximately 16% are housed in Coast Guard-owned units; 12% are in Coast Guard-leased units; and another 5% live in DoD/other agency housing. About half of the Coast Guard-owned housing consists of old DoD housing units that are very expensive to maintain.

Coast Guard missions often require members to be located in high-cost areas, seasonal tourist areas, major urban centers, or remote areas. The lack of affordable housing in such areas is financially difficult on junior enlisted personnel who are often forced into substandard housing, because it is all they can afford. It is becoming increasingly difficult to ensure that Coast Guard personnel are adequately housed. For example, an E-4 with dependents and 3 years service receives less than $1,800 total pay and housing allowances per month, while rental costs in many areas on the Atlantic and Pacific seaboards exceed $1,000 per month—well over 50% of that E-4's *gross* pay and allowances.

Mandated DoD base closures are also impacting our personnel; approximately 50 Coast Guard families will be displaced by the end of FY90. Coast Guard personnel residing in affected DoD housing have already received eviction notices.

To address Coast Guard housing problems, we will continue to utilize DoD housing where available, though these units are less available than in the past. We are also investigating opportunities to obtain DoD base closure housing units. Additional leased housing will be provided to meet critical needs in high-cost areas. AC&I housing construction funds are being sought to meet critical needs in areas where other alternatives are not available: Kodiak, AK; Cape Code, MA; St. Ignace, MI; and elsewhere. The Coast Guard only builds housing as a last resort. A better way to alleviate housing problems is to increase housing allowances (BAQ & VHA) thereby improving members' access to adequate housing on the economy. We will continue to work with the Per Diem Committee and DoD to restructure housing allowances to achieve that end.

DRUG TESTING

Mr. LEHMAN. In the past, you have stated that you believe your random drug testing program is having a significant deterrent effect because of the declining rate of positive tests. Is this continuing?

Admiral YOST. It is continuing. And back in 1983, about 10 percent of people tested positive for drugs. An inordinate number. That has steadily declined, so that in 1988 only 2.8 percent tested positive. And I am predicting projecting in 1989 that it will be less than 1 percent. That's strictly because of the testing.

Mr. LEHMAN. Alcohol has not been a major problem? Is that still true?

Admiral YOST. Alcohol has not been a major problem. It is treatable. It's more treatable than drug interdiction. Drug abuse we've got to prevent through random testing. Alcohol is not illegal, but we do get people who get in trouble abusing alcohol. The abuse programs are good, and most of the people that we send to the abuse programs are responsive to counselling.

ALCOHOL AND DRUG RELATED DISCHARGES

Mr. LEHMAN. Would you update for the record the table on alcohol and drug related discharges that was included on page 860 of last year's hearing record?

[The information follows:]

Coast Guard members discharged due to drug or alcohol abuse:

	Drugs	Alcohol
Fiscal year:		
1984	519	(1)
1985	566	(1)
1986	482	(1)
1987	354	89
1988	303	83
1989	218	69
1990 (2)	66	34

[1] Information not available prior to 1987.

[2] Statistics for fiscal year 1990 are through February 1990.

SEXUAL HARASSMENT

Mr. LEHMAN. What were the results of the DOD survey (Coast Guard was included) on sexual harassment that was to be completed last summer?

[The information follows:]

The DOD survey used a sample size of 37,000 military personnel of which 4,000 were Coast Guard men and women. All Coast Guard women (2,500) on active duty at the time were surveyed.

The Defense Manpower Data Center conducted the study. The preliminary analysis is not complete. When completed, it will be transmitted to the Assistant Secretary of Defense, Force Management & Personnel for review and action. There have been no results or trends released to any of the services.

WOMEN AND MINORITIES

Mr. LEHMAN. Please update for the record the tables included on page 861 of last year's hearing record showing the percentages of women and minorities in the Coast Guard compared to the other services.

[The information follows:]

As of Oct 1, 1989:

[Figures in percent]

	Officer	Warrant Officer	Enlisted
Women by service:			
U.S. Coast Guard	4.9	0.9	8.1
U.S. Army	12.8	3.0	11.2
U.S. Navy	10.7	1.4	9.6
U.S. Air Force	12.9	NA	13.6
U.S. Marine Corps	3.4	4.4	5.1
Minorities by service:			
U.S. Coast Guard	4.8	7.1	14.8
U.S. Army	15.7	14.9	40.0
U.S. Navy	9.2	14.4	28.1
U.S. Air Force	10.3	NA	24.4
U.S. Marine Corps	9.0	13.7	30.7

VALUE ENGINEERING

Mr. LEHMAN. In a November 1989 audit, the IG found that your agency was not using value engineering in four major acquisition projects. The IG indicated that these acquisition personnel were not even aware of VE techniques. What's your position regarding the use of VE?

Admiral YOST. We think value engineering is extremely important. We do use it. We use it primarily in the shore facility end of things, building buildings and docks and warehouses and roads and shore-based power plants. That's where value engineering started and where it has the most use in industry and in the military.

The IG basically overstated in his report the use of it or the potential use in vessel design. Nobody uses these techniques very much in vessel design. It doesn't lend itself to vessel design techniques. And although we will look at the IG's comments, as usual I find the IG will overstate things and we don't always agree with the IG. We'll look into it but we believe his audit is first overstated; he overstates the potential savings and fails to consider the unique characteristics of the controls already built into shipbuilding. Other than that, I like his report.

IG REPORT ON GOVERNOR'S ISLAND

Mr. LEHMAN. In our hearing with the IG, we discussed certain irregularities on Governor's Island. I guess you've heard about that one.

Admiral YOST. I have.

Mr. LEHMAN. You know the problems. How did these irregularities, which the IG stated resulted in "excessively luxurious" improvements, occur? What are you going to do to not let it happen again?

Admiral YOST. What did I know and when did I know it?

Mr. LEHMAN. Yes. Tell us about it.

Admiral YOST. I think the IG is correct in examining this case. I appreciate his work in bringing this to my attention. It came through a hotline call to the IG's office, and I concur with all four of the IG's findings, and that's almost a first. So I think that I ought to make that part of the record. I do concur with the IG in this matter.

It occurred because the existing policy was not followed, and the project was not properly monitored. All the recommendations that the IG made, by the way, have been implemented, with the exception of the cost recovery action.

He indicated in his report that some of the fixtures were extremely luxurious. I looked into it and found first I'd take out the word extremely. I'd probably substitute for "luxurious" a word more like "high-end." And found that——

Mr. LEHMAN. How about gold plating?

Admiral YOST. No, no, no. They weren't that luxurious at all. But to try to pull out chandeliers and what have you and take them back and see if we can recover thirty or forty bucks on a chandelier didn't make a lot of sense. So the cost recovery action was not considered justified and therefore no recovery was made.

Punitive action was taken against those people that hadn't followed policy, and that was done by the commanding officer there. I consider the issue closed with a big thanks to the IG.

IMPREST FUND AUDIT

Mr. LEHMAN. The IG also found some serious weaknesses in the audit on the imprest fund by your maintenance and logistics command-Atlantic. They included an open safe, the Avon sales business, and unsigned travellers' checks in a cardboard box on top of a radiator.

Admiral YOST. I think again I need to thank the IG for this report. It was a comprehensive report, and I'm very receptive to his suggestions. Changes and corrections are being made. Some are complete, and others need a little more time to implement. We have a service wide action plan in place now to take care of that throughout the service.

This is the very kind of thing the IG ought to become involved in, these kinds of fraud and abuse cases. Sometimes he's a little over his head when he gets into vessel construction.

Mr. **Lehman**. Is that particular cashier that was careless still employed?

Admiral **Yost**. The cashier is still employed, yes, she is. There was no fraud and abuse involved here. It was poor procedures. And the district commander didn't feel that the case was so egregious that he ought to fire the woman, but instead we ought to make some corrective actions and those have been taken. A little better supervision.

COMPUTER SYSTEM PROCUREMENT

Mr. **Lehman**. The IG also indicated that the marine safety center purchased an expensive computer system in violation of several acquisition procedures. According to the IG, Coast Guard officials deliberately hid the actual cost of the system by using only initial hardware costs in their estimates. What appeared to decisionmakers to be a $50,000 program was in fact a $986,000 program when all costs are considered. How did this happen, and what actions have been taken to ensure that your future computer procurements are based on accurate cost data?

[The information follows:]

The DOT Inspector General did a thorough and accurate audit on a procurement that occurred in 1986. The IG investigation was conducted from July to September 1987 in response to a hotline complaint. The IG determined that a MicroVAX computer system was purchased in April 1986 for the newly established Marine Safety Center (MSC) without following established evaluation and selection processes. Additionally, the report established that both physical and environmental control issues were neglected. In each case, the problems identified in the IG report have been addressed by application of on-site training and implementation of additional procurement procedures.

While not disputing the IG audit, the Coast Guard does not believe that a significant problem existed. Clearly, MSC personnel lacked an adequate understanding of the existing computer system procurement procedures. However, it was not clear that there was intent to knowingly subvert the procurement process. With regard to the environmental and security deficiencies, they were the result of the rapid establishment of the Marine Safety Center as an independent command in the Fall of 1985. The computer system procurement overlapped the period during which permanent office space arrangements were being completed.

The Coast Guard response to the IG report has been appropriate. A series of Commandant Instructions have been issued which prescribe a process for computer acquisition (which incorporates the proper controls) and establish requirements for assuring computer security. This process is administered by the Office of Command, Control and Communications. In addition, personnel involved in small purchases have received additional training concerning the particular procurement procedures involved with computer purchases. Personnel from the Office of Command, Control and Communications have conducted on-site training for MSC staff. Subsequent site visits have also included a review of their environmental and security plans.

A-76 REVIEWS

Mr. **Lehman**. Mr. Coughlin?

Mr. **Coughlin**. Before we leave the IG, OMB Circular A-76 sets forth procedures for determining whether commercial activities will be performed under contract with commercial sources or inhouse using Government facilities and personnel.

Ordering Coast Guard compliance, the DOT Inspector General and the Coast Guard agreed that (1) reviews did not establish schedules and that future schedules should be based upon the complexities of activities and available resources and (2) activities reviewed and retained in house should be scheduled for second round reviews.

However, the IG and the Coast Guard did not agree on the IG recommendation of strengthening internal controls over the implementation of MEOs, most efficient organizations. What are MEOs and why are they so important? What did the Coast Guard do about the IG's report? Are buoy tender maintenance and aids to navigation candidates for A-76?

Admiral YOST. Buoy tender maintenance is not a candidate for A-76. We don't ever intend to privatize or contract out the large buoy tender work that we do at sea. So that's not a candidate, and I have put that off the list. Now, my mind can be changed by direction from the administration or the Congress, but at the moment—and I think my authorization committee is very strongly behind me in this regard.

The second question is what is an MEO. An MEO is the most efficient organization. What that means is when you elect to do an A-76 study on a particular operation, you must first look at your own organization, the number of people and how you perform that operation and streamline it to your most efficient organization. Once you do that, you price that out and at the same time, you put it out for bids.

If the private contractor bids 10 percent under your most efficient organization, you must give it to the private contractor. If he doesn't, you may elect, and do elect, to keep it in house.

There was a third part of the question, but the third part I forgot.

Admiral GILBERT. The third part was whether or not we were monitoring follow-up to ensure that we were following our own most efficient organization. We disagreed with the IG there because Captain Thompson's group before they issue any additional billets review whether that is consistent with the MEO or not. We think that's a valid procedure and we didn't think we need to establish any other kind of procedure. We're comfortable that we're doing it correctly.

R&D PROJECT REVIEW BOARD

Mr. COUGHLIN. Thank you, Mr. Chairman. Turn to Research and Development. Last year, it was indicated that the project review board process for your R&D programs was in the development stage. What actions has this review board taken during the past year? Have any programs been terminated or redirected?

Admiral YOST. We have established it. It's in place. It's comprised of the Chief of Staff and all of the deputy office chiefs from the various offices in headquarters.

They then review all projects before they are put into the R&D program. The meetings to date have reviewed the 1990 and 1991 R&D budget to validate projects. They've modified the 1990 plan to include $4 million in marine environmental protection, and they've adjusted the 1991 plan to accommodate minor shifts. It's a dynamic group, dynamic change going on, and I'm very pleased with it.

Mr. COUGHLIN. Please expand on your answer for the record, including a list of the projects cancelled, changed or initiated.

[The information follows:]

The FY90 RDT&E plan was revised to emphasize Marine Environmental Protection, including new pollution prevention and response initiatives. Several projects were deleted or deferred to accommodate the new projects. Delayed projects will be accommodated where possible in the FY91 budget. Changes to FY91 projects are still under review. The following table provides a list of FY90 project changes and new starts.

Project area	Status
CHANGED	
Aids to Navigation	Reduced effort on Major Systems Management.
Satellite Global Positioning System	Partially refocused effort toward Dependent Surveillance System development.
Enforcement of Laws and Treaties	Reduced efforts in Forward Looking Infrared Radar development.
Fire Safety	Expanded to include several new commercial vessel fire safety projects.
Advanced Communications Technology	Partially refocused efforts to support Dependent Surveillance communications link.
Select Project Fund	Reduced to accommodate pollution initiatives.
CANCELED/DEFERRED	
Marine Safety	Delayed start-up of three new efforts: Human Factors, Inspection Support Equipment, and Operations Risk Assessment.
Enforcement of Laws and Treaties	Canceled Fast Maritime Response analysis.
Personnel Support	Deferred Civilian Work Force Model.
Aids to Navigation	Delayed New Buoy Computer-Aided Design (CAD) Development.
Port and Waterway Safety	Partially delayed development of the Port and Waterways Management Information System.

INITIATED

Spill Management System—develop contingency planning tools.

Spill Surveillance Systems—evaluate systems to detect and monitor spills.

Tanker Salvage and Countermeasures—develop procedures for controlling oil leakage and offloading cargo.

Oil Spill Recovery Systems R&D—evaluate/test state-of-the-art equipment.

EPA test facility (OHMSETT) support—contribute to multiagency oil spill test facility in New Jersey.

In-Situ Burning of Oil Spills—evaluate burning as a means of disposal.

Chemical Countermeasures for Oil—examine dispersant application as method of controlling the spread of spills.

Spill Response Personnel Safety—study personnel hazards and protective equipment.

Port Vessel Traffic Management Needs study—study vessel traffic in the nation's ports to determine necessary level of vessel traffic management.

Marine Safety Information System Development—develop requirements for information system data base.

Mr. COUGHLIN. It was also indicated that there was very little input from your operating units to the review board. Is this still the situation? If so, why do you believe significant input from your operating units is not necessary?

Admiral YOST. I think it is necessary, and almost all the projects come from the field to begin with, and we do solicit from the field projects. The board membership includes all deputy office chiefs and each one of those offices has a responsibility for a certain area of the field, and they solicit suggestions from their field units. So I think we've got a good field input. We need it.

REVIEW OF STATE BOATING SAFETY GRANT PROGRAMS

Mr. COUGHLIN. Under State Boating Safety, last year you indicated you were hiring additional administrative personnel for your state boating safety grant program to respond to recommendations by GAO and DOT's safety task force that you conduct in-depth evaluations of state programs to determine which states are doing an effective job. What have you found? Which states are doing an effective job and what are these states doing that the others aren't doing?

Admiral YOST. First, we've hired four people. They were on board in July of 1989. Unfortunately, there's an extensive learning curve as we bring these people aboard. And so with the training required; they've attended national boating courses, they've learned related statutes and regulations; they've learned the different states' different financial assistance processes and procedures.

And the new people, even though they've been on board for almost seven or eight months now, are just coming up to speed so they can be of help to us. We'll have a better answer to your question next year. We think we have a good balanced program in the process.

IG AUDITS OF STATE GRANTS

Mr. COUGHLIN. It was also mentioned last year that the IG has agreed to audit coverage of this program in selected states. Has the IG made any recommendations as a result of this expanded coverage? If so, what were they and what actions have you taken on these recommendations?

Admiral YOST. We're actively pursuing the GAO's action items. I think it was the GAO rather than the IG, wasn't it? Or was it?

Mr. COUGHLIN. I think it was the IG.

Admiral YOST. We thought it was the GAO. But whoever it was, we're pursuing those action items. We don't have sufficient information yet to tell how well the states are using Federal funds for boating safety. The four additional positions we filled and those personnel are now getting familiar with each of the states' program; they're coming on line. We've made onsite visits to fifteen states within the last six months, and we've requested and obtained the Department of Transportation's IG audits of nine states, and we're asking him to do another nine this year. So I think we're pretty much on track on that one, sir.

Mr. COUGHLIN. Could you just for the record verify whether that's the IG or the GAO?

Admiral YOST. Yes, I will.

[The information follows:]

The Department of Transportation IG conducted the audits in question. Also, to respond to your question on the IG recommendations, we had requested IG audits of nine States. To date we have received three IG reports with recommendations. The findings and recommendations addressed overstated expenditures, inadequate record keeping and minor reporting deficiencies. Nothing significant has been reported thus far. We have closed two State audits (New York and Washington), and we are currently waiting for IG concurrence on the action we plan to take to resolve the other (Maryland). We understand that the IG has completed seven State audits and is in the process of preparing the remaining reports.

USER FEE PROPOSAL

Mr. COUGHLIN. Under User Fees, would you briefly explain your user fee proposal and tell us the status of that legislation.

Admiral YOST. Well, I'm not sure the legislation has been sent up to Congress yet, but when it does come up, it will assume a $200 million in collection fees. Those collection fees will be made up with a $25 annual fee for U.S. vessels. Those will be vessels that are numbered vessels which are titled by a state, and vessels that use the navigable waters of a state. Frankly, that's only about one-third of the recreational vessels. The other two-thirds either aren't on navigable waters or aren't big enough to get a state number.

We'll get some money from vessel documentation. We'll charge some user fees for vessel inspection and for seaman's licensing, and for vessel identification. And we hope to get out of that somewhere close to $200 million in collections.

Mr. COUGHLIN. Would these user fees be credited to your account or deposited in the general fund of the Treasury?

Admiral YOST. They'll be deposited to the Treasury Department and we'll merely in this hearing claim credit for them as an offset against the budget. We'll say, "Gee, we're producing $200 million in revenues, so we'd like you to increase our budget a little more." Support the President's budget, never increase beyond the President's budget.

Mr. COUGHLIN. What is the status of the report on your cost recovery efforts that was directed in last year's Conference Report?

[The information follows:]

The report was completed on February 28, 1990, and was forwarded to the Committee during the first week of March 1990.

CUSTOMS FORFEITURE FUND

Mr. COUGHLIN. What do your fiscal year 1990 and 1991 budgets assume regarding Customs forfeiture fund reimbursements, safety violation fine collections, and payments to the Ocean Dumping Ban Act of 1988?

[The information follows:]

The Fiscal Year 1991 President's request assumes receipts of approximately $1.3M in FY90 and $1.6M in FY91 from Ocean Dumping Ban Act payments. There are no projections in the President's request for receipts from the Customs Forfeiture Fund since any receipts would simply offset extraordinary costs that would not have been incurred absent a seizure. There are no projections for receipts for safety violation fines. Safety violation fines are deposited into the general funds of the treasury and are not available to the Coast Guard.

MOBILE OFFSHORE DRILLING UNIT REGULATIONS

Mr. COUGHLIN. On October 16, 1987, you published interim final rules related to personnel qualifications and manning regulations for mobile offshore drilling units. These rules were to be effective April 1, 1989, but on February 28, 1989, the rules were suspended. Why were they suspended?

Admiral YOST. They were suspended because there were substantive revisions necessary. We announced those revisions in the Federal Register on February 28, 1989. We were revising the rulemaking, and that revised rulemaking was published in May of 1989 and a final rulemaking is now in clearance. It is expected to become effective in June of 1990. That rulemaking was forwarded to the Office of the Secretary in February.

FISHING INDUSTRY VESSEL ADVISORY COMMITTEE

Mr. Coughlin. What is the current status of the work of the Commercial Fishing Industry Vessel Advisory Committee?

Admiral Yost. We've got an excellent relationship with that committee. It greatly assisted us in the review of the public comments we got in response to the NPRM, notice of proposed rulemaking, on fishing vessel safety.

The Coast Guard and the committee developed that notice of proposed rulemaking on equipment stability and design. There will be a lot of further meetings necessary with them. By the way, one of the real shakers in that committee is Ambassador Barry from the State Department, he and his wife—his wife is on the committee.

They lost a son on a fishing boat in Alaska, a son who really knew not very much about the sea, went to Alaska to work in a cannery, got hired on the dock to go on this fishing vessel because they needed a deckhand, and found he knew nothing about fishing vessels but the fishing vessel apparently had some very unsafe characteristics, principles and lack of equipment. The vessel capsized and they lost their son. That's one of the reasons that this committee is moving so fast. It's people like that who want something done about fishing vessel safety.

Mr. Coughlin. When do you expect to publish safety regulations for commercial fishing industry vessels?

Admiral Yost. We're hoping to publish those in the next two months. I don't have the date here. Maybe I'll have to respond for the record. Later this month.

IMMERSION SUITS AND LIFE RAFTS

Mr. Coughlin. What's the situation regarding immersion suits and life rafts? Are these required on all oceangoing fishing industry vessels?

Admiral Yost. We intend to issue regulations for immersion suits and life rafts. We'll approve additional sizes of immersion suits. This was one of the questions—do you need small ones for children and what have you. And we will approve a new coastal service class of life rafts that will fit a little better on some of the fishing boats.

EPIRB PHASE-IN PERIOD

Mr. Coughlin. Last October, the NTSB recommended that you have a three-year instead of a six-year phase-in period for emergency position indicating radio beacons for all passenger vessels operating on ocean or coastwise routes. What is your position on this recommendation? If you agree, what is being done to implement it? If you don't, why don't you?

Admiral Yost. We agree. We ought to phase them in faster, we are going to phase them in three years, and the FCC rules will require those Class A EPIRBs by August 1, 1991.

SMALL PASSENGER VESSEL REGULATIONS

Mr. Coughlin. Please provide for the record the status of your regulations on small passenger vessels.

[The information follows:]

The regulations for the inspection and certification of small passenger vessels are contained in Title 46 Code of Federal Regulations (46 CFR) Subchapter T (the term small passenger vessel generally includes any vessel of less than 100 gross tons carrying more than six passengers). On January 30, 1989, the Coast Guard published a Notice of Proposed Rulemaking (NPRM) to revise Subchapter T and portions of 46 CFR Subchapter S (Subdivision and Stability) which affect small passenger vessels. Among other revisions, the 130 page NPRM would require inflatable survival craft, fire extinguishing and detection systems, a passenger mainfest, and electronic navigation equipment.

The NPRM invited and encouraged interested persons to participate by submitting written comments. In a notice published in the Federal Register on April 26, 1989 (54 FR 17997), the Coast Guard extended the original deadline for receipt of comments by one month to July 31, 1989 and announced the date and location of six public hearings on the NPRM.

Numerous speakers presented their views at the public hearings and over 300 comment letters have been submitted to the docket; the hearing and comments provided both support and criticism of the various changes proposed in the NPRM. Although the Coast Guard has received numerous requests for a complete withdrawal of the proposed revision, changes in statutory requirements and industry practices preclude this option.

The Coast Guard is currently reviewing the comments received in writing and at the public hearings. An initial analysis indicates that changes to the NPRM are likely. Because some changes may be substantial, the Coast Guard intends to publish a Supplementary Notice of Proposed Rulemaking (SNPRM) to revise the regulations. The Coast Guard will establish a new comment period before a Final Rule is published. We anticipate publication of the SNPRM in the Federal Register in the Fall of 1990.

RADAR OBSERVERS

Mr. COUGHLIN. The Safety Board has also recommended that you require all licensed persons on commercial vessels to be qualified as radar observers. What is your position on this Safety Board recommendation?

Admiral YOST. We concur in principle with that recommendation. We're concerned about how it would be implemented in that if a vessel is now carrying a radar and you require them to train their operators on the radar, go through a course, they may decide to take the radar off. If it's going to be so costly to train people, the fishing vessels and other are going to say, "We're not going to use the radar if we've got to do that."

So we're working that out, considering requiring that a radar be installed aboard small passenger vessels. If we require the radar to be installed, then we can require somebody to be trained on it. But to not first require the radar might be counterproductive.

FOREIGN PASSENGER VESSELS

Mr. COUGHLIN. In our past two hearings with the Safety Board, they have mentioned your need to improve the safety of foreign passenger vessels that carry U.S. citizens from U.S. ports. Do you agree with the Safety Board? If you don't agree, why? If you don't adequate authority, have you submitted legislation to give you the necessary authority?

Admiral YOST. Well, except for the proposed unilateral action with foreign vessels, we concur with the intent of the Safety Board's recommendation. The preferred method to improve passenger vessel safety is through the international maritime organizations.

We don't think it would be good to go behind the qualifications by a foreign flag and try to examine their people to see if they meet qualifications that we might set. We'd rather bring the qualifications up, and we would like to see our country ratify the standard watch keeping convention that we worked so hard to negotiate internationally.

FIELD AND SUPPORT REALIGNMENT

Mr. COUGHLIN. Several years ago, you undertook a major realignment of your field management and support functions in an attempt to free up resources for allocation to your primary activities. In total, this reorganization was supposed to free up approximately 500 support billets that were to be reprogrammed to operating activities. What were the results of this effort—how many billets were actually reprogrammed? Have you conducted a formal assessment of this reorganization?

[The information follows:]

The objectives of the Realignment were to streamline the supply and support functions and reprogram any personnel savings realized to our operating units. The results of the realignment allowed us to reprogram 500 billets into our operating units, consolidate supply and engineering functions and provide more expeditious support to the field.

After one year we went back to the field commanders and asked for their input on improvements. We then fine-tuned the new organization, further refining it by adding resources in some cases, taking some away in others.

I am most pleased with the outcome, as are my field commanders. We constantly assess the effectiveness and efficiency of our organization and continue to make minor adjustments as needs dictate.

Mr. COUGHLIN. What impact did this reorganization have on the efficiency of your field operations?

[The information follows:]

Efficiency has been enhanced service-wide, but moreso in the support functions. Realignment allowed us to reprogram approximately 500 billets into our operating units, to consolidate supply and engineering functions, and to provide more expeditious support to the field. The support functions are now consolidated into two major regional commands, with some necessary outlying detachments providing field support to our operation units.

Operating units are now better staffed, although still not at optimal levels. Their support needs are better served.

Mr. COUGHLIN. How has the new organizational structure affected planning and resource control?

[The information follows:]

The Realignment affected our planning and control structure in a very positive way. Consolidations eliminated staff duplication and reduced unnecessary layering. It also increased consistency in planning and resource allocation, and provided for more consistent measurement of resource utilization. All major resources are now under area control. Formerly, High and Medium Endurance Cutters and fixed wing aircraft were under twelve different operational commanders; they now work for either area commander. The realigned structure seems to be working well. The individual resource workload now is more evenly distributed and the level of support now is more closely linked to operational pace.

GAO REPORT ON SAR CLOSURE DECISIONS

Mr. COUGHLIN. A recent GAO report concludes that the data that you based your proposed 1988 search and rescue closure decisions on were incomplete and inaccurate. The GAO recommends that you establish criteria for making station closures that are based on complete, current and accurate data and that these criteria should be applied consistently to all stations under consideration for closure. What is your position regarding GAO's conclusions and recommendations?

[The information follows:]

We agree that the Coast Guard could have provided more compelling data to fully substantiate all decisions in this matter. We may need better criteria that recognize the multimission contributions of all Coast Guard units in order to present more convincing arguments to external organizations as the Coast Guard evaluates its resources.

Mr. COUGHLIN. That concludes the general portion, Mr. Chairman.

Mr. LEHMAN. Thank you, Mr. Coughlin. Admiral, I guess this is your last scheduled hearing before this Committee.

Admiral YOST. Yes, sir.

Mr. LEHMAN. I want to recognize the distinguished career you have had with the Coast Guard. You certainly have, as the Chinese verse says, lived in interesting times. In between the oil spills and the drug programs, you've had an interesting time in the Coast Guard.

I would like to reiterate the comments of my colleagues regarding the quality and dedication of yourself and the personnel of your service.

Personally, I want to thank you for the support you've given me. Whether I'm visiting lighthouses in New England, or trying to see the reefs down in the Florida Keys, you've always been supportive to my office. It's been a pleasure and a productive joy to work with you and I just wish you the best of everything in your coming years.

Admiral YOST. Thank you, sir. And it is my last time before the Committee, and maybe you would permit me to take two or three minutes and kind of make a summary.

Mr. LEHMAN. Maybe Mr. Coughlin wants to say something, and you can respond to both of us.

Mr. COUGHLIN. No, I just to echo the Chairman's sentiments. The Coast Guard and the nation are a better place because of your service.

Admiral YOST. Thank you, sir. We've been blessed with a good committee. Very few commandants will be able to say that the chairman of their appropriations committee is a hands-on chairman who dives on the Florida Keys to look at where vessels go aground and do other things of that nature, have been up in Nantucket looking over aids to navigation. You've been very hands on for us, sir.

I'm certainly proud of the multi-mission capability of this United States Coast Guard. Recent events, the Valdez spill, Hurricane Hugo, the San Francisco earthquake, the Mississippi River drought, have all caused the Coast Guard to have some headlines this year. But at the same time, I don't want us to forget that we provide other important services: aids to navigation, fisheries enforcement, port safety, marine inspection, boating safety. And that this Coast Guard does provide a good return for taxpayers' money, and I think that the average day slide I had shows that very well.

We're fully employed now and we can't take on any additional tasks without additional resources. We can't even afford the force levels we have now that Congress authorized us because of the pay raise absorptions. So if there are any added tasks, we need to have added money. And the prime example is the oil spill requirements.

That oil spill legislation, Mr. Chairman, somehow has to be worked out between the authorizers and the appropriators to see that we don't get tasks that we've got no funds or no way of you and me finding a way to fund.

Another thing that I'd like to address is the bare adequacy of the AC&I budget, and realizing that that budget has averaged about $600 million over the last several years. In fiscal year 1991, it's $419 million. That's barely adequate and probably won't be adequate in the years to come if the average is any point. And I've made the point that you need about 5 percent every year of your capital plant and that's about a $20 billion plant.

We need this Committee's leadership and my help to somehow increase the function 400 envelope if we're going to continue to fund everything out of function 400 that you are required to fund and that you do fund every year. I'll be your assistant in doing that to the extent of my ability.

Mr. LEHMAN. Thank you. And let's play tennis some time in the future.

Admiral YOST. All right, sir.

Mr. LEHMAN. The Committee is adjourned until 2:00. We'll come back at 2:00 for more of the justification questions.

OBJECT CLASS BREAKDOWN

Mr. LEHMAN. The Committee will reconvene. On page 16, would you provide a program by activities comparison for fiscal years 1989, 1990 and 1991 including all the DOD funding for each year (including in-kind)?

[The information follows:]

Presently, Coast Guard is unable to provide a program by activities breakdown of the object class data. We are currently working on a Corporate Data Base System that will allow us to develop this type of information in the future.

LAW ENFORCEMENT OPERATING HOURS

Mr. LEHMAN. On page 211, to what extent are your drug enforcement, fisheries enforcement and general law enforcement cutter operating hours and aircraft flight hours for the first five months of fiscal year 1990 consistent with your estimates?

Admiral GILBERT. Mr. Chairman, we don't have those statistics yet because there is a considerable lag time before we get them. We think we're about on schedule, but I will submit the first quarter for the record. We should have that momentarily.

[The information follows:]

Resource utilization data are available for the first quarter of fiscal year 1990. Statistics for January and February will be part of the second quarter report that will be published in June, 1990. Statistics for the first quarter of fiscal year 1990 show us tracking reasonably close to our estimates. The following table shows actual hours expended during the quarter and the percentage of projected hours attained.

	Drug law enforcement	Fisheries enforcement	General law enforcement
Cutters:			
Hours	37,930	12,195	4,104
Percent of projected	76	93	95
Aircraft:			
Hours	6,988	1,482	865
Percent of projected	86	97	80

Mr. **Lehman**. For fiscal year 1990, you are projecting an increase of over 6000 aircraft flight hours for drug enforcement. Does this represent increased utilization of your existing aircraft? If so, how are you going to accomplish this?

Admiral **Gilbert**. Sir, it's actually due to both. As you know, we got two additional E-2C AEW aircraft. We also got some helicopter increases. It's partially also the result of increased utilization of the existing inventory. The HU-25 Falcon with the recent engine improvements is operating more, and despite our discussions this morning on all the problems with the H-65 helicopter and the engine, it is in fact operating more than it has in the past.

Mr. **Lehman**. A little more.

Admiral **Gilbert**. Yes, sir.

Mr. **Lehman**. Not like you wanted it to.

Admiral **Gilbert**. Right. But it is doing better.

Mr. **Lehman**. Or less badly.

Admiral **Gilbert**. Better.

AVAILABILITY OF AIRCRAFT AND CUTTERS

Mr. **Coughlin**. Would you provide for the record the projected availability for your aircraft and cutters for fiscal years 1989, 1990 and 1991?

[The information follows:]

AIRCRAFT AVAILABILITY

[In percent]

	1989	1990 [1]	1991
Aircraft:			
HH-52A	80	NA	NA
HH-65A	56	59	63
HH-3F	64	71	71
HH-60J	NA	NA	71
HU-25 [2]	56	59	63
HC-130	73	70	71
E-2C [3]	90	90	90
VC-4A	72	[4] 21	71
VC-11A	76	79	71

[1] FY89 availability is actual and FY90 availability is based on first quarter data.

[2] HU-25 availability figures are the composite of HU-25A, B, and C models. The improved forecast for FY91 is based on improved parts sparing, which should continue to increase, allowing us to continue toward our goal of 71 percent availability.

[3] E-2C availability is based on Navy terminology of Fully Mission Capable (FMC). FMC refers to the ability to respond to operational requirements with fully operable mission essential equipment. In the case of the E-2C, this equipment is the radar.

[4] Low availability caused by aircraft being in permanent maintenance status October 1989-June 1990 to correct aircraft corrosion.

CUTTER AVAILABILITY

[In percent]

	Fiscal year—		
	1989	1990	1991
Cutters:			
WHEC 378	52	50	50
WMEC 270	49	55	55
WMEC 210	48	50	50
WMEC 230, 213, 205, 180	48	50	50
WSES 110	60	55	55
WPB 110	55	55	55
WPB 95	30	30	30
WPB 82	30	30	30

[1] FY89 is actual and FY90 and FY91 are projected.

[2] Cutter availability is the percentage of the year a cutter is not in a maintenance status. It includes underway and inport operational days, away from homeport training days, and, in the case of WPB 110s, 95s, and 82s, high readiness days.

[3] WMEC 270 cutter availability reflects delivery of new cutters with post-delivery maintenance.

CONTRABAND SEIZURES

Mr. COUGHLIN. Please update for the record the table on Coast Guard contraband seizures included on page 204 of your fiscal year 1990 justifications and add lines showing your drug enforcement cutter operating hours and aircraft flight hours for each fiscal year.

[The information follows:]

The following information is for Coast Guard seizures only. Law enforcement contraband seizures for fiscal years (FY's) 1985–1989 are provided:

LAW ENFORCEMENT CONTRABAND SEIZURES (COAST GUARD ONLY)

	Fiscal year—				
	1985	1986	1987	1988	1989
Seizures:					
Cases	330	265	222	184	182
Vessels	186	149	152	143	152
Tons of marijuana	976	920	651	322	156
Pounds of cocaine	5,890	7,495	12,950	14,592	15,863
Arrests	733	648	568	372	152
Drug enforcement:					
Cutter operating hours	144,828	121,187	161,811	126,786	158,047
Aircraft flight hours	18,155	13,260	21,592	18,486	26,728

ICE OPERATIONS

Mr. LEHMAN. You indicated on page 212 that your actual fiscal year 1989 level for domestic ice operations was 5264 cutter operating hours compared with your estimate of a year ago of 3075 hours. Why was there a 71 percent increase over your estimate for domestic ice operations?

Admiral GILBERT. Mr. Chairman, of course we have to go where the ice is, and this year was a particularly heavy ice year. It was one of the heaviest ice years on the record, and we had to be there to break the ice in the Sault Locks area and also on the Hudson River.

Mr. **Lehman**. Where?

Admiral **Gilbert**. In the Sault Locks up in northern Michigan.

Mr. **Lehman**. Most of the ice is in the Great Lakes.

Admiral **Gilbert**. Mostly in the Great Lakes, some on the Hudson River and other places in the northeast. It was an unusually heavy year.

Mr. **Lehman**. To what extent did Coast Guard Headquarters direct a 71 percent increase in ice operations at the same time drug interdiction cutter operating hours were being reduced by 24 percent? Or wasn't Headquarters aware that this was actually taking place?

Admiral **Gilbert**. Sir, we were generally aware of it because we were aware that it was a very heavy ice season. These are not competing resources. The ice breakers are not normally involved in drug enforcement. The drug enforcement reductions were caused by other things.

Mr. **Lehman**. I would assume your ice and drugs activities want to get as big a portion of the operating expenses appropriation as possible. Do you have a problem properly dividing your limited funds?

Admiral **Gilbert**. Not normally, sir. But we in the beginning of the year allocate out money and there's some latitude in the districts on how they spend the money. They would only break ice if there was a requirement to break ice. If they happen to have an unusually heavy ice year, then they would have to find fuel money from some other source.

Mr. **Lehman**. Apparently.

Admiral **Gilbert**. They did.

Mr. **Lehman**. There's no free lunch.

Admiral **Gilbert**. That's right. And if they have an unusual problem, we usually have a very slight contingency that we can help them out with from our office.

COMMUNICATIONS AND UTILITY COSTS

Mr. **Lehman**. Last year, in presenting a two-year budget, you estimated fiscal year 1991 communications and utility costs at $97 million. Your current fiscal year 1991 request is $123.6 million, an increase of over 27 percent. What was the reason for this increase in your budget request?

Admiral **Gilbert**. Sir, these were based on data that we had in September of 1988 which was three years, of course, before it actually happened. And the revised material is on more up to date information.

We also had some difficulties, you recall, Mr. Chairman, with the $140 million of services in-kind that we got. We had some problem in comparing these things because, as you remember, we got $140 million of services in-kind from the DOD budget last year that was not a comparable amount in the previous year. So that created some of the problem.

Mr. **Lehman**. And you have a similar increase of 26 percent for equipment. What was the reason?

Admiral **Gilbert**. I'm sorry. If you'll bear with me a minute and let me find my place here. I think it's basically the same answer, sir. Based on more up to date information and also there was some anomaly caused by the services in-kind that we got from the Defense Department.

Mr. LEHMAN. Expand on that for the record. You used the word "in-kind"?

Admiral GILBERT. Yes, sir. You recall in the Defense budget last year we got a total of $300 million, $160 million in cash and services in-kind of $140 million.

[The information follows:]

Coast Guard's FY 1991 estimates for the "communications, utilities, and miscellaneous charges" and "equipment" object classes are a percentage allocation of the total Operating Expenses (OE) budget, based on the estimated percentage of the total budget used for these functions.

The primary reasons for the increases over last year are twofold: (1) the total FY 1991 OE budget request is 3.6 percent higher than estimated previously in last year's FY1990-91 budget, with a substantial portion of the changes attributed to uncontrollable increases to base (COLAs, pay increases and follow-on); and (2) the estimated percentage use in the object class function was estimated to increase by one percent, primarily due to anticipated expansion of mission requirements, enhanced operations of exisiting facilities, the operation of new facilities, and the purchase of new or replacement equipment.

OPERATING EXPENSES OBJECT CLASSIFICATION

Mr. LEHMAN. Please provide for the record a breakdown of your object classification for fiscal years 1989, 1990 and 1991, including all Department of Defense funds (including in-kind).

[The information follows:]

The information requested is provided in the following table.

DEPARTMENT OF TRANSPORTATION
COAST GUARD
OPERATING EXPENSES
Object Classification (in thousands of dollars)

Identification code: *69-0201-0-1-403*		*1989* *actual*	*1990* *estimate*	*1991* *estimate*
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	130,589	131,489	136,461
11.3	Other than full-time permanent	6,885	6,932	7,188
11.5	Other personnel compensation	5,713	5,752	5,965
11.7	Military personnel	821,524	829,620	862,080
11.8	Special personal services payments	1,996	2,010	2,085
11.9	Total personnel compensation	966,707	975,803	1,013,779
12.1	Civilian personnel benefits	26,045	26,224	27,195
12.2	Military personnel benefits	89,953	90,840	93,996
13.0	Benefits for former personnel	2,448	2,565	3,435
21.0	Travel and transportation of persons	61,627	63,846	65,953
22.0	Transportation of things	39,612	44,454	49,099
23.1	Rental payments to GSA	23,019	28,746	31,353
23.2	Rental payments to others	29,834	33,341	44,659
23.3	Communications, utilities, and miscellaneous charges	83,354	92,328	123,574
24.0	Printing and reproduction	5,637	5,984	8,016
25.0	Other services	339,784	372,609	421,634
26.0	Supplies and materials	317,927	339,852	363,654
31.0	Equipment	86,301	100,748	129,070
32.0	Lands and structures	253	776	879
42.0	Insurance claims and indemnities	1,612	1,710	2,290
43.0	Interest and dividends	377	441	534
99.0	Subtotal, direct obligations	2,074,490	2,180,267	2,379,120
99.0	Reimbursable obligations	103,531	77,356	77,867
99.9	Total obligations	2,178,021	2,257,623	2,456,987 *

** NOTE: FY 1991 already assumes full restoration of $140 million DOD "in-kind" funds.*

ESTIMATED OBLIGATIONS FOR OTHER SERVICES

Mr. LEHMAN. Please also provide for the record a breakdown of the fiscal year 1990 and 1991 estimated obligations for "other services", including all DOD support funds.

[The information follows:]

ESTIMATED OBLIGATIONS FOR OTHER SERVICES

[In thousands of dollars]

	Fiscal year—	
	1990 estimate	1991 estimate
Other services:		
Overhaul of vessels	79,291	89,723
Overhaul of aircraft	53,506	60,546
Repairs/maintenance:		
Shore facilities	114,353	129,400
Electronic equipment	11,625	13,154
Aids to navigation	3,614	4,090
Training aids	13,787	15,600
Engineering design	2,534	2,868
Routine recreation services	597	675
Automated data processing services	29,846	33,773
Other services	63,456	71,805
Total	372,609	421,634

OPERATING EXPENSES BY ACTIVITY

Mr. LEHMAN. Please provide a table similar to that on page 23 that includes all DOD support-in-kind funds for fiscal years 1989 and 1990.

[The information follows:]

DEPARTMENT OF TRANSPORTATION, U.S. COAST GUARD, OPERATING EXPENSES

[Budget authority in thousands of dollars]

	1989 actual	1990 estimate
Program by activities:		
Search and rescue	447,143	464,849
Aids to navigation	430,612	445,880
Marine safety	124,706	136,707
Marine environmental safety	138,516	163,307
Enforcement of laws and treaties	745,725	760,720
Ice operations	96,040	96,371
Defense readiness	109,641	112,506
Total appropriation or estimate	2,092,383	2,180,340

AIRCRAFT TRAINING FLIGHT HOURS

Mr. LEHMAN. On page 221, you are requesting funds to support an increase of about 7000 aircraft flight hours in fiscal year 1991 to a level of 158,200 hours. About 37 percent of these flight hours are for training. Several years ago, we were told that this high percentage was caused by the retraining of your pilots on the HH-65A helicopter and last year we were told that HH-65 training would decrease after August of 1989. Has this retraining been completed? If so, why are you estimating that your training flight hours will remain at 37 percent of your total for fiscal 1989, 1990 and 1991?

Admiral GILBERT. Yes, sir, Mr. Chairman, as you know, training is a constant problem for us. We bring new people in the Coast Guard at 3000 or 4000 a year each year, so training is always an expensive proposition for us.

The specific question on the H-65 training—that has been finished. There were some new training requirements, though, to support the ELT mission. As you recall, we have implemented some more rescue swimmer programs each year. That requires an extensive amount of training. We had very good results from that last year; we saved 84 lives with the rescue swimmer program.

I would expect additional training time to start showing in our budget when we introduce the new helicopter, the H-60, which will replace the H-3, as you know.

So training is a constant thing that we have to do. We are introducing new equipment constantly, and that increases the amount of training that's required.

Mr. LEHMAN. Why were the 1989 flight hours 8000 below your estimate?

Admiral GILBERT. Again, this was based on 100 percent utilization of the aircraft, and as we discussed this morning, we don't get 100 percent utilization out of some of our aircraft. But during 1989, we did fly 95 percent of the 150,000 or so hours that we had estimated we would fly. So I think that's a fairly close estimate. We weren't off dramatically.

Mr. LEHMAN. When you estimate on 100 percent, is that a prudent estimation?

Admiral GILBERT. Well, sir, we're always hoping that we'll get the utilization out of our aircraft, and we are getting closer. So we were expecting that. And as Captain Thompson reminds me, on some of our aircraft we're flying more than 100 percent of programmed hours. For example, a C-130 historically has flown 110, 120 percent of programmed hours.

Mr. LEHMAN. Are your 1990 flight hours to date consistent with achieving your fiscal year 1990 estimate of 151,000?

Admiral GILBERT. Yes, sir. We did a quick snapshot of the first quarter and we're pretty close to what we should have been at the first quarter.

PROGRAM SAVINGS

Mr. LEHMAN. On pages 30 and 31, you list a number of program savings amounting to about $12.78 million. To what extent do you believe these savings are, in fact, achievable?

Admiral GILBERT. I believe they're fully achievable, and we're on schedule at the moment. I might point out, Mr. Chairman, that two-thirds of these come from the termination of one-time costs. And I'm absolutely certain that will happen, so I think I'm very comfortable with this estimate.

OCEAN DUMPING

Mr. **Coughlin.** On page 31, how was your $1.3 million ocean dumping reimbursement determined?

[The information follows:]

The $1.3 million reimbursement was based upon an EPA-provided estimate of the Coast Guard's one-third share of total FY90 permit/penalty fees collected under the Ocean Dumping Ban Act of 1988. This amount may vary depending upon the annual amount of sewage sludge and industrial waste being disposed of as well as the number of vessels engaged in ocean dumping.

The Ocean Dumping Ban Act of 1988 authorizes the Administrator of the Environmental Protection Agency (EPA) to collect fees from any person who dumps sewage sludge or industrial waste into ocean waters. The Administrator may also assess civil penalties against persons who violate the Act's prohibitions against dumping.

A person who is liable for those fees and penalties is required to pay a sum equal to $15.00 per dry ton (or equivalent) of sewage sludge and industrial waste transported or dumped. Of this amount, not more than one-third shall be transferred by the Administrator to the Secretary of Transportation for use in Coast Guard ocean dumping surveillance and enforcement activities.

ENERGY COSTS

Mr. **Coughlin.** Last year it was estimated that your total energy costs would be $104.7 million in fiscal year 1989. What were your actual costs for fiscal year 1989, and what are your estimates for fiscal years 1990 and 1991?

[The information follows:]

Actual energy costs for fiscal year 1989 were $93 million which is short of our fiscal year 1989 estimate as reported last year. The price of energy did not rise as we had estimated, and mild weather conditions decreased our costs below our estimates. Our estimate is based on forecast fuel consumption, a summer price survey, and historical consumption rates. Variations in these planning factors can cause fluctuation of plus or minus 10% in our estimates. We project Coast Guard energy costs to be $96.5 million in fiscal year 1990 and $100 million in fiscal year 1991. These figures include the effects of decommissionings and of new resources coming on line. A major uncertainty in estimating FY90 energy costs is the average level of heating oil prices which rose rapidly early this winter and are responding more slowly in the downward direction.

Mr. **Coughlin.** In the first quarter of fiscal year 1990, what has been your actual fuel costs compared to what was budgeted?

[The information follows:]

First quarter fiscal year 1990 energy costs were $23.5 million compared to a first quarter budget of $29.4 million. These cost figures are derived from DAFIS, the new accounting system for the Coast Guard. Due to the recent conversion to DAFIS and creation of a centralized Finance Center, this result may not reflect total first quarter costs. Lags in reporting and recording costs during the transition period may be reflecting costs lower than actually incurred in the first quarter.

ANNUALIZED PROJECTS

Mr. **Lehman.** On page 32, you are requesting an increase of $271,000 to annualized projects that were initially funded in 1990. Would you indicate for the record the part-year funding (1/2, 1/4, etc.) provided in 1990, and the date on which each item became or will become operational?

[The information follows:]

In the FY 1990 budget the Coast Guard received 14 FTP for one-half year (i.e., 7 FTE) for management of eight major and 28 minor Acquisition, Construction, and Improvements construction projects scheduled for completion in the second quarter of FY 1990. The $305,000 for Shore Facility Construction follow-on consists of the other half-year for the 14 civilian FTP authorized and will be used for pay and allowances for the additional 7 FTE.

Similarly, the $66,000 for Environmental Compliance funds one additional FTE which will fully fund the 3 FTP/2 FTE provided in the FY 1990 budget.

PAY RAISE ABSORPTION

Mr. LEHMAN. Please provide a breakdown for the record of the activities and projects reduced to absorb two-thirds of the fiscal year 1990 pay raise.

[The information follows:]

The Coast Guard absorbed $18.2 million of the FY 1990 military and civilian pay raise. The table below lists those projects and activities from which funds were slipped to absorb this shortfall.

[In millions of dollars]

Item	*Amount*
Slip Forward Base in Caribbean	2.50
Land Based Aerostat Slip	9.25
Land Based Aerostat Comms and Management	.35
Vessel Identification System	1.50
Inability to fund personnel strength at authorized level (shortfall approx. 120)	4.60
Total	18.20

GSA RENTAL PAYMENTS

Mr. LEHMAN. You are requesting an increase of $2,695,000 in rental payments to GSA. How many square feet are you planning to lease from GSA in 1991 compared with 1990?

[The information follows:]

In FY 1991, the Coast Guard anticipates leasing an additional 210,000 net square feet of space from GSA compared to FY 1990.

FRAM RECREWING

Mr. LEHMAN. On page 35, why do you need $4.5 million in fiscal year 1991 to recrew your final five cutters completing FRAM, when some of the cutters won't be completed until the end of fiscal year 1992?

Admiral GILBERT. Mr. Chairman, these billets were eliminated when the ships went into FRAM a few years ago. We are requesting crews for two ships, but we're only requesting them for half of the year. We'll annualize that in 1992. In the past, we've brought one ship in and taken the other one out, so we were able to walk across the deck with a crew. We're not able to do that now for the final ships that are coming out.

RESTORATION OF DRUG FUNDING AND SEQUESTRATION REDUCTIONS

Mr. LEHMAN. Why are you asking for $41.75 million to restore the emergency drug funding and sequestration reductions when that was only $34.2 million?

Admiral GILBERT. Yes, sir, Mr. Chairman, as the Commandant said yesterday, we were able to get through this year because we had some money from the Exxon problem, and we were also able to get through this year by reducing our cost of living allowance that we passed out to our field commanders and also reducing our maintenance funds by between 2 and 3 percent.

It would be difficult for us to do that year after year, so we've asked that these funds be restored.

COASTAL STATIONS

Mr. LEHMAN. On page 36, please indicate for the record the year in which each of your three coastal stations (Oak Island, Lake Worth and East Tawas) was funded, the additional personnel requirements identified in your budget request at that time, the reasons for any changes from that level, and the scheduled operational date for each.

[The information follows:]

Station Oak Island was funded in FY90 and has an operational date of September 1991. The two additional personnel over and above the nine (9) previously requested are necessary to meet current staffing standards.

Station Lake Worth Inlet was funded in FY90 and has an operational date of February 1992. The FY90 AC&I Budget Sheet inadvertently listed the desired personnel allowance as the existing allowance. Thirteen (13) additional personnel are necessary to meet current staffing standards to crew two rescue boats full time, in response to the increased public demand for our services.

Station East Tawas was funded in FY90 and has an operational date of April 1991. The three (3) additional personnel over and above the ten (10) previously requested are necessary to meet current staffing standards.

Coast Guard Staffing Standards for small boat stations were recently revised to match staffing with increasing mission requirements. This staffing increase is in line with increased emphasis on drug interdiction and marine environmental protection. These three small boat stations experienced an average increase of 44% in time deployed on cases (sortie hours) from 1981-1988. Also, in the case of Lake Worth Inlet, the Coast Guard added an additional small boat as part of an improved response capability (from part-time to 24 hour immediate).

CHARLESTON AIR FACILITY

Mr. LEHMAN. On page 36, you're building a new air facility at Charleston. What's the status of the construction?

Admiral GILBERT. Yes, sir. The new facility has been planned and assuming that it were funded in the 1991 budget, it would be ready for starting construction in the first quarter of fiscal 1991. And as you may recall, this will support a helicopter that's deployed from our Savannah station. We will deploy helicopters from Savannah to Charleston. There won't be helicopters permanently stationed at Charleston. This facility will accommodate the deployed helicopters.

MRR HELICOPTER DELIVERIES

Mr. LEHMAN. On page 37, please provide for the record the delivery dates for your seven new medium range recovery helicopters.

[The information follows:]

AIRCRAFT TO BE ASSIGNED TO AVIATION TRAINING CENTER MOBILE, AL

August 1990—Aircraft Number 6004.
September 1990—Aircraft Number 6005.
November 1990—Aircraft Number 6006.
January 1990—Aircraft Number 6001.

AIRCRAFT TO BE ASSIGNED TO AIR STATION ELIZABETH CITY, NC

January 1991—Aircraft Number 6007.
February 1991—Aircraft Number 6008.
March 1991—Aircraft Number 6009.

HH-3F PHASE OUT

Mr. **Lehman**. Are you planning to phase out any of your HH-3F helicopters in fiscal year 1991? If so, where are these cost reductions reflected?

Admiral **Gilbert**. Yes, sir, we are planning to phase out some of the H-3s but only a few weeks before the end of the fiscal year. They'll be replaced with H-60s, and their cost will be roughly a wash. So there is no cost impact in fiscal 1991. The phaseout, as I said, is in the last couple of weeks of the year.

HH-65A FLIGHT HOURS

Mr. **Lehman**. You are requesting an increase of $2.4 million to operate your HH-65A helicopters and you state that you intend to increase your operational flight hours from 635 to 645 hours per year. Yet on page 222, you show a total of 48,900 hours for 80 operational HH-65As or an average of 611 hours. Would you reconcile these differences?

Admiral **Gilbert**. Yes, Mr. Chairman. I'm afraid we weren't very clear in our request. That actually was 72 multi-mission H-65 helicopters, and each of these will be flown at 645 hours. Now, there are eight additional helicopters, four for Alaska patrols and four for the polar icebreaker deployments. And the hours for the last eight we discussed were substantially less than the 645. That's why the numbers don't add up correctly in your document. We'll correct that for the record. But that's the explanation.

[The information follows:]

Of our 80 operational HH-65A helicopters, 72 HH-65As will each fly 645 hours annually or 46,440 hours total; 4 Alaska patrol HH-65As will each fly 325 hours annually or 1,300 hours total and 4 polar icebreaker deployed HH-65As will each fly 275 hours annually or 1,100 hours total. Thus, the total resource hour figure is 48,840.

Mr. **Lehman**. How does your proposed 645 flight hours compare with 1988, 1989 and 1990?

[The information follows:]

The funded flight hours for Fiscal Years 1988, 1989, and 1990 follows:

Fiscal year:	*Hours*
1988	570
1989	615
1990	635

LAND-BASED AEROSTATS

Mr. **Lehman**. You are requesting on page 38 an increase of $2 million to operate land-based aerostats. What is the status of the installation of this?

Admiral **Gilbert**. Mr. Chairman, two of the Gulf of Mexico aerostats are scheduled for operation in fiscal 1991. That would be at Matagorda, Texas, and Horseshoe Beach, Florida. As you recall, these are being bought by Customs. They have the lead on this issue. We still expect those to come into fruition in fiscal 1991.

AEROSTATS AND DRUG SEIZURES

Mr. **Lehman**. What percent of your drug seizures result from aerostat information?

Admiral GILBERT. Since 1987, about 10 percent of our seizures have had some involvement with the aerostats. Maybe not total responsibility on aerostat, but the aerostat has had an involvement in about 10 percent of the cases.

Mr. LEHMAN. It's probably the most cost effective equipment you have.

Admiral GILBERT. Yes, sir. The Commandant drew a comparison between the aerostat and flying aircraft, and of course there's also a very strong deterrent effect by these balloons. We see the maritime traffic sometimes reduced by 50 percent when we're flying.

Mr. LEHMAN. It tells them to reroute it.

Admiral GILBERT. Yes.

ISLAND CLASS PATROL BOATS

Mr. LEHMAN. Please update for the record the operational performance of each Island class boat that has been delivered to date, similar to page 924 of last year's hearing record.

[The information follows:]

The B-Class contract is completed and thirty-seven (37) Island Class cutters have been delivered. In general, their operational performance has been excellent; they are very well suited to accomplish our current missions. However, maintenance and logistics support requirements for this larger and more capable cutter are greater than for the patrol boats they are replacing. A recent staffing analysis, using a GAO validated U.S. Navy manpower engineering center model, indicated support/crew staffing shortfalls. Additional personnel are necessary to accomplish required preventative and corrective maintenance on all 110' WPBs. The squadron-based 110' WPBs have the more significant shortfalls since they have been out of contractor warranty the longest. To date, 110' WPB's have generally been able to meet operational programmed levels despite some shortages in support personnel.

Mr. LEHMAN. Last year on page 925, it was indicated you were testing a slow-speed drive device that you intended to retrofit on your Island class boats. Has this been done? If so, how?

Admiral GILBERT. Mr. Chairman, it was done on the Coast Guard Cutter Maui. It was not a success, and we had some difficulties maneuvering the boat and some other difficulties with the system that we experimented with, problems steering the boat and other things. We're still working on it, but so far we do not have a success.

Parenthetically, I might say that we had a long discussion, as you recall, on the Paxman and Caterpillar engine issue, and the Caterpillar engines do have a slow speed capability. So those 12 boats that are coming out would have a slow speed capability with the Caterpillar engine.

Mr. LEHMAN. Were any other retrofits required or are any others being considered? If so, please provide cost information for each for the record.

[The information follows:]

There were no other retrofits and we are not considering other retrofits for our Island Class patrol boats.

Mr. LEHMAN. Would you update for the record the Island class boat data included on page 929 of last year's hearing record?

[The information follows:]

WPB number/name	Homeport	Delivery date	Cutter replacing
1332 Wrangell	Portsmouth, NH	7/89	Cape Morgan.
1333 Adak	Sandy Hook, NJ	8/89	Cape Horn.
1334 Liberty	Auke Bay, AK	9/89	Cape Higgon.
1335 Anacapa	Petersburg, AK	10/89	Cape Hatteras.
1336 Kiska	Hilo, HI	11/89	Cape Cross.
1337 Assateague	Apra Harbor, Guam	12/89	Cape George.

Manufacturer: Bollinger Machine Shop & Shipyard, Lockport, LA.
Cost per boat, including outfit and spares: $7 Million.
Length overall: 110 feet.
Beam: 21 feet.
Draft: 6.5 feet.
Displacement (full load): 153 long tons.
Maximum speed: in excess of 26 knots.
Maximum range: 3,380 nautical miles.
Endurance: 5 days.

PATROL BOATS

Mr. LEHMAN. Would you also update for the record the patrol boat fleet data, included on pages 926 through 928 of last year's hearing record?

[The information follows:]

NAME	HULL NR.	COMMISSIONED	RENOVATED	YRS. SVC.	SVC. LIFE.	REQ. REPL.	EST. RPL
110' WPB							
FARALLON	1301	11/15/85	NO	4	15	00	00
MANITOU	1302	1/24/86	NO	4	15	01	01
MATAGORDA	1303	2/28/86	NO	4	15	01	01
MAUI	1304	3/24/86	NO	4	15	01	01
MONHEGAN	1305	4/11/86	NO	4	15	01	01
NUNIVAK	1306	5/02/86	NO	4	15	01	01
OCRACOKE	1307	5/23/86	NO	4	15	01	01
VASHON	1308	6/13/86	NO	4	15	01	01
AQUIDNECK	1309	7/25/86	NO	3	15	01	01
MUSTANG	1310	8/29/86	NO	3	15	01	01
NAUSHON	1311	10/03/86	NO	3	15	01	01
SANIBEL	1312	11/14/86	NO	3	15	01	01
EDISTO	1313	1/07/87	NO	3	15	02	02
SAPELO	1314	2/24/87	NO	2	15	02	02
MATINICUS	1315	4/16/87	NO	2	15	02	02
NANTUCKET	1316	6/04/87	NO	2	15	02	02
ATTU	1317	2/05/88	NO	2	15	03	03
BARANOF	1318	3/11/88	NO	2	15	03	03
CHANDELEUR	1319	4/15/88	NO	2	15	03	03
CHINCOTEAGUE	1320	5/20/88	NO	2	15	03	03
CUSHING	1321	6/25/88	NO	2	15	03	03
CUTTYHUNK	1322	7/29/88	NO	2	15	03	03
DRUMMOND	1323	9/07/88	NO	2	15	03	03
KEY LARGO	1324	10/07/88	NO	2	15	03	03
METOMPKIN	1325	11/11/88	NO	2	15	03	03
MONOMOY	1326	12/16/88	NO	2	15	03	03
ORCAS	1327	1/20/89	NO	2	15	04	04
PADRE	1328	2/24/89	NO	2	15	04	04
SITKINAK	1329	3/31/89	NO	2	15	04	04
TYBEE	1330	5/05/89	NO	2	15	04	04
WASHINGTON	1331	6/09/89	NO	1	15	04	04
WRANGELL	1332	7/13/89	NO	1	15	04	04
ADAK	1333	8/17/89	NO	1	15	04	04
LIBERTY	1334	9/21/89	NO	1	15	04	04
ANACAPA	1335	10/26/89	NO	1	15	04	04
KISKA	1336	11/30/89	NO	1	15	04	04
ASSATEAGUE	1337	1/04/90	NO	1	15	05	05

NAME	HULL NR.	COMMISSIONED	RENOVATED	YRS. SVC.	SVC. LIFE.	REQ. REPL.	EST. RPL
95' WPB							
CAPE HATTERAS	95305	7/28/53	11/07/80	37	37	91	91
CAPE GEORGE	95306	8/10/53	5/21/81	37	38	91	90
CAPE CROSS	95321	8/20/58	4/16/82	32	34	92	90
CAPE CORWIN	95326	11/14/58	10/15/82	32	34	93	90
82' WPB							
POINT HOPE	82302	10/05/60	NO	30	30	90	91
POINT VERDE	82311	3/15/61	NO	29	30	91	91
POINT SWIFT	82312	3/22/61	NO	29	30	91	91
POINT THATCHER	82314	9/13/61	NO	29	30	91	91
POINT HERRON	82318	6/14/61	NO	29	30	91	91
POINT ROBERTS	82332	6/06/62	NO	28	30	92	91
POINT HIGHLAND	82333	6/27/62	NO	28	30	92	92
POINT LEDGE	82334	7/18/62	NO	28	30	92	92
POINT COUNTESS	82335	8/08/62	NO	28	30	92	92
POINT GLASS	82336	8/29/62	NO	28	30	92	92
POINT DIVIDE	82337	9/19/62	NO	28	30	92	92
POINT BRIDGE	82338	10/10/62	NO	28	30	92	94
POINT CHICO	82339	10/29/62	NO	28	30	92	96
POINT BATAN	82340	11/21/62	NO	28	30	92	96
POINT LOOKOUT	82341	12/12/62	NO	28	30	92	96
POIN BAKER	82342	10/30/63	NO	27	30	93	96
POINT WELLS	82343	11/20/63	NO	27	30	93	96
POINT ESTERO	82344	12/11/63	NO	27	30	93	96
POINT JUDITH	82345	7/26/66	NO	24	30	96	96
POINT ARENA	82346	8/26/66	NO	24	30	96	96
POINT BONITA	82347	9/12/66	NO	24	30	96	96
POINT BARROW	82348	10/04/66	NO	24	30	96	97
POINT SPENCER	82349	10/25/66	NO	24	30	96	97
POINT FRANKLIN	82350	11/14/66	NO	24	30	96	97
POINT BENNETT	82351	12/19/66	NO	24	30	96	97
POINT SAL	82352	12/05/66	NO	24	30	96	97
POINT MONROE	82353	12/27/66	NO	24	30	96	97
POINT EVANS	82354	1/10/67	NO	23	30	97	97
POINT HANNON	82355	1/23/67	NO	23	30	97	97
POINT FRANCIS	82356	2/03/67	NO	23	30	97	97
POINT HURON	82357	2/17/67	NO	23	30	97	97
POINT STUART	82358	3/17/67	NO	23	30	97	97
POINT STEELE	82359	4/26/67	NO	23	30	97	97
POINT WINSLOW	82360	3/03/67	NO	23	30	97	98
POINT CHARLES	82361	5/15/67	NO	23	30	97	98
POINT BROWN	82362	3/30/67	NO	23	30	97	98
POINT NOWELL	82363	6/01/67	NO	23	30	97	98
POINT WHITEHORN	82364	7/13/67	NO	23	30	97	98
POINT TURNER	82365	4/14/67	NO	23	30	97	98
POINT LOBOS	82366	5/29/67	NO	23	30	97	98
POINT KNOLL	82367	6/27/67	NO	23	30	97	98

NAME	HULL NR.	COMMISSIONED	RENOVATED	YRS. SVC.	SVC. LIFE.	REQ. REPL.	EST. RPL
POINT WARDE	82368	8/14/67	NO	23	30	97	98
POINT HEYER	82369	8/03/67	NO	23	30	97	98
POINT RICHMOND	82370	8/25/67	NO	23	30	97	98
POINT BARNES	82371	4/21/70	NO	20	30	00	98
POINT BROWER	82372	4/21/70	NO	20	30	00	99
POINT CAMDEN	82373	5/04/70	NO	20	30	00	99
POINT CARREW	82374	5/18/70	NO	20	30	00	99
POINT DORAN	82375	6/01/70	NO	20	30	00	99
POINT HARRIS	82376	6/22/70	NO	20	30	00	99
POINT HOBART	82377	7/13/70	NO	20	30	00	99
POINT JACKSON	82378	8/03/70	NO	20	30	00	99
POINT MARTIN	82379	8/20/70	NO	20	30	00	99
110′ WSES							
SEA HAWK	WSES 2	11/82	NO	8	17	99	99
SHEARWATER	WSES 3	11/82	NO	8	17	99	99
PETREL	WSES 4	6/83	NO	7	16	99	99

WATERWAYS AIDS TO NAVIGATION PROJECTS

Mr. LEHMAN. Would you list for the record the six waterways aids to navigation projects referred to on page 39, and include the scheduled completion date for each?

[The information follows:]

The list of waterway projects and their associated completion dates are:

Sacramento River, CA, April 1990 (Army Corps of Engineers Shipping Channel Project).

Bligh Reef, AK, September 1990 (Light structure installation).

Hawk Inlet, AK, April 1990 (Range and buoy additions).

Chesapeake Bay Buoys, May 1990 (Army Corps of Engineers Channel Deeping Project).

Mississippi River, June 1990 (Army Corps of Engineers Dredging Project).

19 smaller projects in 5 Coast Guard Districts (1, 5, 7, 8, 17), completed in FY 90 (Misc ranges, structures, and buoy additions).

SHORE FACILITIES

Mr. LEHMAN. Would you provide for the record the estimated operational dates for those shore facilities listed on pages 39 and 40?

[The information follows:]

FACILITY AND OPERATIONAL DATES

Major AC&I Projects:
Station Oak Island Rehabilitation, September 1991.
Station Oregon Inlet Relocation, June 1991.
Station Lake Worth Inlet Relocation, March 1992.
Air Station Clearwaters-SEUS Ph II, June 1993.
Station Cortez New Station, November 1991.
Minor AC&I Projects:
Station Panama City Administration Bldg, April 1991.
Station Toledo Unaccompanied Personnel Housing, October 1990.
Base Detroit Rehabilitation Ph I & II, October 1990.
Support Center Seattle Pier 35 Ph II, September 1991.
Mid Continent Loran Stations, December 1990.
Training Center Cape May Beach Replenishment, December 1989.
Training Center Petaluma Dispensary, November 1990.
Training Center Petaluma ET/TT School Bldg, January 1989.
Group Long Island Sound Boat Maintenance Facility, January 1992.
Station New Haven Support Bldg, January 1992.
Support Center Portsmouth Boat Haulout, October 1991.
Station Marathon Shop Building, January 1991.
Air Station Borinquen Fuel Farm Modifications, October 1991.
Station Port Isabel Waterfront, January 1991.
Morro Bay Patrol Boat Cutter Support Facility, February 1991.
Station Depoe Bay Facilities Upgrade, November 1991.
Base Ketchikan Breakwater Repair, December 1990.
Support Center Kodiak Cutter Storage Bldg, July 1991.
CG Information Systems Center Computer Bldg, May 1991.
CG Electronics Engineering Center Computer Bldg, September 1991.
Training Center Cape May Child Care Facility, July 1991.
Aviation Training Center Mobile Underground Fuel Tanks, August 1991.
Aviation Training Center Mobile Composite Repair Facility, July 1991.
Training Center Petaluma Utilities Upgrade, May 1991.
CG Yard Building 32 Upgrade, May 1991.
CG Yard Flammable Storage Upgrade, November 1991.
CG Yard Acid Cleaning Bldg, September 1992.

Mr. LEHMAN. Would you also update for the record the completion dates of the facilities and equipment listed on page 929 and the top of page 930 of last year's hearing record, indicating the date shown last year, as well as the most recently estimated completion date?

[The information follows:]

FACILITIES AND OPERATIONAL DATES

Facilities	Operational dates	
	Last year	This year
Major AC&I Projects:		
Station Crisfield Establishment	Oct. 1989	Nov. 1989.
Station Yankeetown Permanent Station Facility	Nov. 1989	May 1990.
Station St. Clair Shores Replacement	May 1990	June 1990.
Station East Fort Baker Relocation	Sep. 1989	Feb. 1990.
Station Freeport Relocation	Aug. 1990	Apr. 1991.
Air Station Savannah Hanger	Oct. 1989	Sep. 1990.
Station Montauk Unaccompanied Personnel Hsg	Oct. 1989	Oct. 1989.
Tracen Petaluma Unaccompanied Personnel Hsg	Oct. 1989	Nov. 1989.
Minor AC&I Projects:		
Air Station Cape Cod Indoor Range	May 1989	July 1989
Station Eatons Neck Water Line Replacement	Jan. 1990	May 1990
Station Sandy Hook Waterfront Improvements	May 1989	June 1989
Support Center NY Commissary Improvements	May 1990	Nov. 1990
Base Miami Beach Small Boat Operations Bldg	Dec. 1989	Feb. 1990
Station Muskegon SAR Detachment Upgrade	May 1989	Sep. 1989
Station Holland SAR Detachment Upgrade	Mar. 1990	June 1991
Station Buffalo Moorings Improvement	July 1990	June 1989
Air Station North Bend Expansion	June 1989	Feb. 1990
Air Station Barbers Point Supply Bldg	May 1989	Feb. 1990
Station Alexandria Marine Safety Center	Canceled	
Station Scituate Waterfront Improvements	Mar. 1990	June 1991
Air Station Cape Cod Storage Facility	Jan. 1990	Dec. 1989
Moorings Hickman Pier/Tramway	July 1990	Aug. 1990
SAR detachment Townsend Inlet Bulkhead	Feb. 1990	July 1990
Support Center Portsmouth Small Arms Range	Dec. 1989	Dec. 1990
Support Center Portsmouth Secur/Ordin Bldg	Mar. 1990	Nov. 1990
Support Center Elizabeth City Aviation Supply Bldg Upgrade	June 1989	May 1990
Base Mobile Reserve Facility	Feb. 1990	Apr. 1990
Station Detroit Watchstander Berthing	May 1990	Feb. 1991
Station Detroit Fire Suppression System	Sep. 1991	June 1991
Support Center San Pedro Reserve Facility	Nov. 1989	Sep. 1990
Support Center Seattle Floating Boathouse	Nov. 1989	Feb. 1990
Base Honolulu Armory/Magazines	Jan. 1990	Dec. 1990
Nawiliwili Shore Support Facility	Feb. 1990	Dec. 1990
Air Station Kodiak Fuel Truck Storage Facility	May 1990	Oct. 1990

NIGHT VISION GOGGLES

Mr. LEHMAN. On page 41, have you had any actual operating experience with the night vision improvements funded by the Anti-Drug Abuse Act of 1988?

Admiral GILBERT. Mr. Chairman, that's been a very highly successful program. We're using the night vision goggles in the OPBAT mission which we've discussed with you earlier, we're using them on the H-3 helicopters there. We're also using them on the Falcon jets that are equipped with the air intercept radar. We've had a number of successes in drug law enforcement as a result of the night vision goggles.

We've also had some success in search and rescue. We've located three distressed vessels, two downed aircraft, a raft, and two people in the water that we were able to see with these night vision goggles that we would not have been able to see without them. So it's been very successful both in law enforcement and in our search and rescue mission.

Mr. Lehman. This is DOD equipment basically.

Admiral Gilbert. Yes, sir. DOD. We have a lab where we test and train people on this at our air center in Mobile, Alabama, one of the state of the art testing and training places we're using night vision goggles. But it is a spin off of DOD technology.

HH-65A SHIPBOARD DEPLOYMENT COSTS

Mr. Lehman. You are requesting an increase of a little over a million dollars and 68 military positions to enable you to meet the number of shipboard deployment days for your HH-65A helicopters. Why do you need more personnel to maintain these helicopters when they are on a ship than you do when they operate from a regular air station?

Admiral Gilbert. Mr. Chairman, of course a shipboard environment is more severe and more difficult than a land-based environment, so it is more difficult to maintain them when they are deployed.

Another reason here, which we perhaps didn't develop as well as we could have in the budget, is that search and rescue comes first, of course. If we had more people to maintain the helicopters at a higher state of readiness, then we have additional helicopters that could be deployed on ships for the law enforcement mission.

So there's a general raising of the availability of the H-65 with these extra people. That frees up some aircraft to go onboard ships for law enforcement missions.

As I said earlier, there are some additional maintenance requirements when they are deployed on ships because of the environment.

BOATING WHILE INTOXICATED

Mr. Lehman. On page 43, what were the results of your boating while intoxicated enforcement demonstration in the fifth and eighth districts (how many intoxicated boaters did you identify, what penalties or fines were assessed, etc.)?

[The information follows:]

The reporting period for the Boating While Intoxicated (BWI) pilot program encompassed August 26, 1989-November 1, 1989. The results of the Coast Guard's enforcement efforts are shown below. Fourteen intoxicated operators were removed from the water.

The results indicate that the enforcement strategy behind the pilot program was practical. Coast Guard strategy was to work jointly with state officials and seek state enforcement and prosecution of cases to the degree allowable under state law. This strategy was used since the federal regulations recognize a state's blood alcohol concentration level (for operating a vessel while intoxicated), as the federal standard in areas of concurrent federal/state jurisdication. In all but five cases of concurrent jurisdiction, the state officials assumed custody of the intoxicated operator in Coast Guard-initiated cases. In the five cases where local officials did not take custody of the intoxicated operator, the Coast Guard pursued federal adjudication of the cases, either through the Coast Guard Hearing Officer civil process, or by referring the case to the U.S. Attorney for criminal prosecution.

BOATING WHILE INTOXICATED (BWI) PILOT PROGRAM PERIOD

[Aug. 26–Nov. 1, 1989, Fifth Coast Guard District]

Date	Location by state	Case processing/results (if available)
Aug. 27, 1989	Pennsylvania	State.
Aug. 29, 1989	Maryland	State.
Sept. 01, 1989	Texas	State.
Sept. 08, 1989	North Carolina	CG Hearing Officer.
Sept. 08, 1989	Maryland	State.
Sept. 09, 1989	North Carolina	CG Hearing Officer (Notice of Violation issued w/preliminary assessment of $500).
Sept. 09, 1989	Florida	CG Hearing Officer.
Sept. 10, 1989	Maryland	State.
Sept. 10, 1989	Maryland	State.
Sept. 10, 1989	Maryland	State.
Sept. 20, 1989	Maryland	State.
Sept. 20, 1989	North Carolina	U.S. Attorney
Oct. 11, 1989	North Carolina	CG Hearing Officer (Notice of violation issued w/preliminary assessment of $550).
Oct. 15, 1989	New Jersey	State.

E–2C TRAINING PROGRAM

Mr. LEHMAN. Why do you need to borrow a C–2 logistics aircraft from the Navy to train your E–2C air crews? Can't your personnel participate in the Navy's E–2C training program?

Admiral GILBERT. Mr. Chairman, we have two training requirements here that we're addressing: The initial training on how to fly an E–2C, we do use Navy training. Then there's proficiency flying and the day-to-day upkeep of that flying which we need to do at the place where the pilots are stationed. That's why we need to do some of our own training.

Also, of course, this plane is substantially cheaper to fly than the E–2C. It allows us to have more E–2C hours out on a drug mission if we can train pilots in this aircraft as opposed to having them fly the E–2C itself.

ISLAND CLASS PATROL BOAT CREWS

Mr. LEHMAN. Would you elaborate on your $300,000 increase for 110-foot Island class patrol boats—are you increasing the crew size on these boats?

[The information follows:]

This increase will fund eight additional people for each squadron staff, to accomplish critical preventive and corrective maintenance on squardon-based island class patrol boats (WPB)s. The squadron 110' WPBs are programmed for a high level of operations and are expected to meet rapid deployment plans for drug interdiction and military missions. Personnel requirements are based on an in depth manpower analysis conducted during fiscal year 1989.

WATERWAYS ANALYSES

Mr. LEHMAN. You want $380,000 and 10 military positions for waterways analyses, and you state that less than 40 percent of the 452 critical waterways studies have been completed. What has been the effect of your failure to complete these waterways analyses and studies?

Admiral Gilbert. Mr. Chairman, the waterways studies are a preventive measure to make sure the waterway is responsive to the mariners' needs to use it. So when we don't get through these studies, we don't have people to do the studies, and the effect is that it's not as responsive a system as it should be to the boating and the maritime public.

Mr. Lehman. What do you analyze?

Admiral Gilbert. We analyze a lot of things: shifting channels, traffic patterns, where the aids to navigation should be, and what kinds of aids to navigation should be in a particular place. We also consult with the marine industry, consult with the boating public, hold hearings, and do a lot of things to try to make sure that we're providing a marking system that's responsive to the needs on the waterfront for safe transportation.

MARINE SAFETY AND MEP TRAINING

Mr. Lehman. On page 45, aren't you currently providing training for your marine safety and marine environmental response personnel? If so, can't you modify your existing training program to correct the deficiencies OSHA has identified without adding 34 new military positions?

Admiral Gilbert. Mr. Chairman, training here is not the issue. As you may recall, we've had some studies that show the Coast Guard marine safety program is a very dangerous program in the sense of a number of people who have gotten cancer as a result of their exposure to harmful materials as the result of their work in the commercial vessel safety program.

And, of course, we're learning a lot more about the hazards as time progresses. I'm talking about hazardous communications, asbestos and benzene, respiratory protection requirements, and medical monitoring requirements. These extra people are to provide a measure of additional safety to our people that are actually doing the work out in the environments which can be hazardous.

FISHING INDUSTRY VESSEL SAFETY PROGRAM

Mr. Lehman. You are requesting $1.5 million for your fishing industry vessel safety program and you state that you were directed to develop safety equipment regulations, prepare a licensing plan, maintain casualty statistics, and determine the need for an inspection program. How much of your request is for those activities, and how much is for "education and training" of commercial fishing vessel operators?

[The information follows:]

The Coast Guard has requested $1.5 million to begin implementation of the Commercial Fishing Vessel Safety Act regulations. Of that amount, $1.15 million will be used to fund new personnel who will be assigned as Fishing Vessel Safety Coordinators (FVSCs) in eight Coast Guard District Offices. The FVSC's will initiate an education and training program on the uniform application of the F/V safety regulations which are currently under development. Additional personnel will be assigned to Coast Guard Headquarters where they will provide technical support and oversight for regulation development and program implementation.

The remaining $355 thousand will fund educational material (pamphlets and newspaper/magazine ads) and travel expenses (expositions, conventions and meetings) for the FVSCs so that they may be proactive in reaching and educating fishermen on the upcoming rules. The program will also include Coast Guard sponsorship of classes and assistance in development of private training school programs. FVSCs will also assist the National Academy of Sciences Marine Board with the ongoing inspection and licensing plan study. This study may lead to the initiation of follow-on Coast Guard inspection and licensing programs for the commercial fishing industry. The study is scheduled for completion in the summer of 1991.

The emphasis is upon getting the "word out" to the owner/operators of the 130,000 plus commercial fishing vessels. Implementation of these regulations is a new initiative for the Coast Guard and the commercial fishing industry. This is the first time that this industry has had to comply with comprehensive marine safety regulations. We are hopeful that these educational and training efforts will bring about an acceptable level of compliance. If that proves not to be the case, we will have to consider the need for more traditional means of generating compliance.

MILITARY READINESS EXERCISE PLANNING

Mr. LEHMAN. On page 46, you are requesting more than a 33 percent increase for military readiness exercise planning and support. Is DOD increasing the number of the command post exercises?

Admiral GILBERT. Yes, sir. As you mentioned the other day, this is kind of a reverse peace dividend here, it appears. They are reducing the number of command post exercises, but they are providing more players, a broader and a deeper exercise system, and this requires some additional people.

It also has increased the emphasis on our field and fleet exercises, and we're looking at the strategic ports for embarkation of materials that might be needed to support DOD scenarios.

CONSOLIDATED COMPUTER OPERATIONS

Mr. LEHMAN. What savings can we expect to see in subsequent budgets as a result of your consolidated computer operations?

Admiral GILBERT. Mr. Chairman, the primary purpose of consolidating our computer operations, and as you may recall this is going to be up in West Virginia, is to make them work better as opposed to a matter of economy. So I would not expect substantial savings from that. We do expect our service to be improved significantly, and this will be implemented in Martinsburg, West Virginia, in the next year or so.

COAST GUARD INVESTIGATORS

Mr. LEHMAN. Please provide some workload data to support your request for eight new investigators and explain why your average cost for the new FTEs is over $44,000 compared with your base average of about $7,000 per FTE.

[The information follows:]

Workload figures and projections are provided in the below chart. The establishment in 1986 of the 5 year update on all Background Investigations (BIs) and National Agency Checks (NACs) resulted in a significant increase for the administrative record staff. BI workload increased by 75% and NAC workload increased 100%. Approximately 450 new investigative requests for BIs and NACs are received at CGHQ each month. Investigative operating costs exceed planned investigative funding by $150 thousand, thereby prohibiting agents from traveling to conduct investigations to reduce the backlog of pending investigations. Eight month process time is required for completion of background investigations.

1987 to 1991 figures and projections (figures include all assigned duties).

	Fiscal year—				
	1987	1988	1989	1990	1991
Cases	1,524	1,575	1625	1676	1726
Hours/case	85.74	87.14	89.57	91.99	94.41
Total case hours	130,668	137,246	145,551	154,175	162,952
PS/liaison hours	10,720	10,720	10,720	10,720	10,720
ELT support hours	34,312	34,312	36,388	54,544	59,738
Training hours	16,480	16,480	16,960	17,520	18,080
Admn support hours	62,939	62,939	62,939	62,939	62,939
Total hours	255,119	261,697	272,558	299,898	314,429

The Coast Gurard believes the calculation of $7 thousand per FTE is in error. It appears to have been based on internal O&M funds (not including salary costs) for program management divided by the current number of FTE, which would yield $7 thousand per FTE. The actual costs per FTE must include salary costs.

AIRCRAFT SUPPORT PERSONNEL

Mr. **Lehman**. On page 47, you are requesting an additional 57 support positions for your aircraft repair and supply center. What standards do you use to determine the number of support personnel for your various types of aircraft?

Admiral **Gilbert**. This is a request for people as opposed to money. We are position limited here. We could hire more people if we had positions. We have the money to do it.

We find that our aircraft center in North Carolina is very cost effective and much cheaper than DOD facilities and commercial facilities. We would like to be able to hire some additional people to do maintenance and repair there. As I said, it's a good bargain for us. Labor rates there are substantially cheaper than elsewhere.

ENVIRONMENTAL COMPLIANCE ACTIVITIES

Mr. **Lehman**. You are requesting an increase of $4 million for the funding of your environmental compliance activities to an annual program level of $15 million. If you spend $15 million a year, how many years do you expect it will take to correct your agency's environmental problems?

Admiral **Gilbert**. Mr. Chairman, this is not a catch up situation. We expect it will cost us about that amount of money each year to comply with all the Federal, state and local requirements to keep our own house in order in the environment. As you know, the targets keep changing each year as we learn more about what is hazardous in the environment.

Mr. **Lehman**. Why can't this funding be consolidated with your separate $7 million environmental compliance and restoration account?

Admiral **Gilbert**. Well, it could, Mr. Chairman, but that's normally not the way we do business. And I think an analogy would be we don't buy a building with the same appropriation that we maintain it with after we buy it, and this is analogous to the situation here. We buy and maintain out of different appropriation.

Mr. **Lehman**. We're going to have a vote. We'll be back in about ten minutes. This meeting is temporarily recessed.

[Whereupon, the meeting was recessed.]

POLLUTION FUND

Mr. LEHMAN. On page 49, you are requesting increases of seven positions and $264,000 to administer your section 311 pollution fund. Why aren't these administrative personnel funded with section 311 funds?

Admiral GILBERT. The quick answer is the current legislation requires that only cleanup and response can be funded out of 311(k) funds so there is no current mechanism to pay for these people out of the fund.

This request was also submitted in anticipation of the oil spill legislation. It would be part of the staff that would be required to administer the new fund that's called for in the oil spill legislation, but it only meets part of that requirement. We discussed in considerable detail with the Commandant this morning the total requirements for the oil spill legislation that are contained in the House and Senate versions.

EMERGENCY RESPONSE CONTINGENCY PLANNERS

Mr. LEHMAN. How many emergency response contingency planners are you proposing to add under your $1.32 million request?

Admiral GILBERT. This would provide 20 port level contingency planners. Those would be essentially half year people, 20 FTE or 40 people, so we would have 40 positions annualized in the 1992 budget. Again, these were requested in anticipation of the oil spill legislation, but again, it's only part of what would be required if either of the bills or some compromise bill passes.

I might just say, Mr. Chairman, we also have to review contingency plans for vessels and shore facilities as well.

MERCHANT MARINER'S DOCUMENTS

Mr. LEHMAN. On page 50, would you explain how much work is involved in renewing a merchant mariner's documents? For example, on the average, does it take one hour, two hours, eight hours, longer?

Admiral GILBERT. Yes, I'd just like to lead you through very quickly what has to happen. It takes a little bit over three hours to do one of these documents. The steps are that you have to review the renewal application; review the physical evaluation or medical waivers from the person; verify the service that he's claiming under the document; review endorsements and qualifications on the document; review his record on drug and alcohol convictions; review for a criminal record, disciplinary action, and seaman's locator file; and then we would have to process and issue the document.

And also the new bills would require us to do this every five years, which would add quite a few transactions. We think there are about 120,000 seamen that currently hold a document, so if we divide that by five and add the new applicants, you would get the yearly total. So it's a lot of work.

Mr. LEHMAN. Please provide for the record the number of personnel you presently have issuing merchant mariner's documents, their workload, the time required to process one mariner's documents, and why some of those personnel can't be used to re-examine these documents.

[The information follows:]

We presently have 23 people assigned among 17 Regional Examination Centers issuing merchant mariner's documents. In addition, there are 8 people at Headquarters who coordinate and provide oversight of the process. Issuance of a Mariner Document involves many steps: review of original application, review of physical evaluation, verification of service under the document, review of endorsements and qualifications on the document, review of criminal record, review of disciplinary records, review of a seaman locator file, and final preparation and issuance of the document. This complete process for the 25,000 documents requested each year requires approximately 3.1 hours for each document. This present workload keeps our personnel fully employed.

The pending legislation will, for the first time, require renewal of mariner documents. We estimate that this requirement will result in an additional annual workload of 18,000 transactions. In addition, the pending legislation will require a check of the National Driver Register prior to issuance or renewal of a mariner document. Clearly, these additional transactions and the additional step in the process will require additional personnel.

POLLUTION PREVENTION

Mr. LEHMAN. On page 50, for what reason do you intend to spend the $1.38 million requested for pollution prevention?

Admiral GILBERT. This would fund 30 enforcement people, and as we discussed earlier, prevention is still the best remedy here. Keep the oil off the water. It would also enhance our ability to investigate accidents and publish lessons learned and prevent future accidents. And this again responds to what we expect to be in the legislation.

VESSEL IDENTIFICATION SYSTEM

Mr. LEHMAN. What is the status of your vessel identification system for which you requested $5 million last year?

Admiral GILBERT. We've done a lot of work on that and tried to build interest in the system. We've briefed the National Association of State Boating Law Administrators. We've had meetings with about 30 of the states on the issue. We've done some systems analysis and systems requirements. We plan to have the system operational by 1994. We're getting ready at the moment to publish an advance notice of rulemaking that would outline how the system would work and who would benefit from it.

SHORE FACILITY REHABILITATION PROJECTS

Mr. LEHMAN. On page 51, you request an increase of $7 million for shore facility rehabilitation projects. How was this amount determined?

Admiral GILBERT. This was based on a historical need, and our backlog has been growing significantly over the past few years; it's up to about $350 million at the moment. This is kind of nibbling away at the problem, and we're asking for extra money that would allow us to start attacking the backlog or at least to keep the backlog from growing.

SHORE MAINTENANCE

Mr. **Lehman**. Please explain the difference between your $82.7 million base and the $135.5 million shore maintenance level on page 933 of last year's hearing record.

[The information follows:]

The $82.7 million base represents those funds targeted for specifically planned shore facilities maintenance and rehabilitation projects that are less extensive and expensive than projects accomplished with Acquisition Construction & Improvement funds. The $135.5 million shore maintenance level given on page 933 of last year's hearing record includes this base and an estimate, based on expenditure data, of general day-to-day operating funds used to purchase supplies and services to support our shore maintenance program. The updated FY 1990 estimate of shore maintenance level, including the general opertaing fund increment, is $128.6 million.

Mr. **Lehman**. How are your shore maintenance projects selected? Is this done by your districts or by headquarters?

Admiral **Gilbert**. It's done by a combination of both. The most routine priorities are established by the district commander and the maintenance and logistics command staff people working on that. When we get up to minor AC&I projects, those are forwarded to headquarters and approved by the chief of engineering and the chief of staff. And of course major investments are part of our budget which is submitted to you in the appropriations process for approval.

Mr. **Lehman**. Do you have a multi-year plan?

Admiral **Gilbert**. I would characterize our plan more as a backlog list consisting of a number of years of work. And we would try to move through that backlog and address the highest priority needs first.

Mr. **Lehman**. There's no such thing as a plan you could file with Committee, is there?

Admiral **Gilbert**. We could go back and look at that, but I would hesitate to promise that. We can give you the backlog list and a general review.

MAINTENANCE COSTS

Mr. **Lehman**. In the past, we have discussed the fact that about 21 percent, or over $460 million of your operating expenses budget is for maintenance costs. Would you please break out the major components of this $460–$500 million that you expect to spend on maintenance during fiscal year 1991, and compare that to fiscal year 1989 and 1990?

[The information follows:]

The following table lists the Coast Guard's major maintenance programs and includes supplies and services.

MAINTENANCE COSTS

[In millions of dollars]

		Estimated	
	1989	1990	1991
Selected Major Programs:			
Shore Unit Program	128.1	128.6	151.2
Aircraft Program	113.2	130.5	149.7

MAINTENANCE COSTS—Continued

[In millions of dollars]

	1989	Estimated 1990	1991
Electronics Program	62.6	69.3	66.2
Vessel Program	115.7	116.8	122.7
Total	419.6	445.2	489.8

VESSEL AND AIRCRAFT MAINTENANCE PROGRAMS

Mr. LEHMAN. Would you provide for the record a description of what your vessel and aircraft maintenance programs will involve in fiscal years 1990 and 1991, similar to the information provided on page 933 of last year's hearing record?

[The information follows:]

Approximately $116.8 million will be spent on vessel maintenance in FY 1990 and $122.7M in FY 1991. This includes funds specifically targeted for vessel maintenance/repair and general operating funds used to support day-to-day vessel maintenance supplies and services. The vessel maintenance program includes the repair and replacement of mechanical engineering and structural systems as well as maintenance control documentation and provisioning. Additional operating hours for our vessels and the escalating costs associated with maintaining platforms that have exceeded their expected service life continue to put pressure on this program.

The aircraft maintenance program will spend approximately $130.5 million in FY 1990 and $151.2 million in FY 1991. In FY 1990, increased flight hours for our HH-65A fleet, increased logistics support for our HU-25A, HH-65A, HC-130 aircraft, and increased aircraft availability all added to the maintenance program base. In FY 1991, increased flight hours, and spare parts inventories for the HH-65A are required. Aircraft maintenance for the HH-65A continues at a high level, due largely to additional engine maintenance. Several initiatives are underway to increase the durability of the HH-65A engine.

AIRCRAFT AVAILABILITY

Mr. LEHMAN. Would you update for the record the information on aircraft availability that was included on page 934 of last year's hearing record, and the specified information regarding the availability of the Falcon jets that was also included on page 934 of last year's hearing record?

[The information follows:]

Our recent aircraft availability is summarized below:

AIRCRAFT AVAILABILITY

[Percent]

	Fiscal year— 1985	1986	1987	1988	1989	1990 [1]
Aircraft:						
HH-52A	69.6	68.6	65.8	71.0	80.0	NA
HH-3F	61.7	63.9	69.2	62.0	64.0	71.0
HC-130	77.3	77.8	72.6	69.0	73.0	70.0
HU-25	49.0	53.9	52.5	51.5	56.0	59.0
HH-65A	32.8	48.9	49.3	55.4	56.0	59.0
E-2C				90.0	90.0	90.0

[1] One quarter data.

The table below summarizes the Coast Guard's experience with regard to HU-25 availability:

HU-25 AVAILABILITY

[Percent]

	NMCM	NMCS	NMCB	NMC	AVAIL
Fiscal year:					
1983	30.9	22.4		53.3	46.7
1984	26.8	28.3		55.1	44.9
1985	18.3	19.0	13.7	51.0	49.0
1986	16.6	18.3	11.2	46.1	53.9
1987	15.8	21.6	10.1	47.5	52.5
1988	15.7	23.8	9.0	48.5	51.5
1989	17.0	15.0	12.0	44.0	56.0
1990 [1]	17.0	15.0	8.0	41.0	59.0

[1] One quarter data.

Key.—NMC—Not Mission Capable; NMCM—Not Mission Capable due Maintenance; NMCS—Not Mission Capable due Supply; NMCB—Not Mission Capable due Both (Maintenance and Supply); Availability (AVAIL) = 1 − NMC.

HH-65A AVAILABILITY

Mr. LEHMAN. Would you provide similar information for your Dolphin helicopters?

[The information follows:]

The table below summarizes the Coast Guard's experience with regard to HH-65A availiability:

HH-65A AVAILABILITY

[Percent]

	NMCM	NMCS	NMCB	NMC	AVAIL
Fiscal year:					
1985	50.1	13.9	3.2	67.2	32.8
1986	26.6	15.7	8.8	51.1	48.9
1987	23.1	16.3	11.3	50.7	49.3
1988	18.7	16.6	9.3	44.6	55.4
1989	17.0	17.0	10.0	44.0	56.0
1990 [1]	14.0	18.0	9.0	41.0	59.0

[1] One quarter data.

Key.—NMC—Not Mission Capable; NMCM—Not Mission Capable due Maintenance; NMCS—Not Mission Capable due Supply; NMCB—Not Mission Capable due Both (Maintenance and Supply); Availability (AVAIL) = 1 − NMC.

CUTTER AVAILABILITY

Mr. LEHMAN. Would you update for the record the information on cutter availability that was included on page 935 of last year's hearing record?

[The information follows:]

CUTTER AVAILABILITY

[In percent]

	Fiscal year—		
	1989	1990	1991
Cutters:			
WHEC 378	52	50	50

CUTTER AVAILABILITY—Continued

[In percent]

	Fiscal year—		
	1989	1990	1991
WMEC 270	49	55	55
WMEC 210	48	50	50
WMEC 230, 213, 205, 180	48	50	50
WSES 110	60	55	55
WPB 110	55	55	55
WPB 95	30	30	30
WPB 82	30	30	30

1. Cutter availability is the percentage of the year a cutter is not in a maintenance status. It includes underway and inport operational days, away from homeport training days, and, in the case of WPB 110s, 95s, and 82s, high readiness days.
2. WHEC 378 and WMEC 210 cutter availability is based on nonaugmented 185-day away from homeport standard.
3. WMEC 270 cutter availability reflects delivery of new cutters with post-delivery maintenance.
4. FY89 is actual and FY90 and FY91 are projected.

CUTTER REPLACEMENT DATES

Mr. LEHMAN. Would you update for the record the listing of cutters included on pages 935 and 936 of last year's hearing record showing the age and replacement dates?

[The information follows:]

HIGH AND MEDIUM ENDURANCE CUTTERS AGE AND REPLACEMENT SCHEDULE

	Years in service	Replacement year
378' WHEC:		
715 Hamilton	23	NYD
716 Dallas	23	NYD
717 Mellon	23	NYD
718 Chase	22	NYD
719 Boutwell	22	NYD
720 Sherman	22	NYD
721 Gallatin	22	NYD
722 Morgenthau	21	NYD
723 Rush	21	NYD
724 Munro	19	NYD
725 Jarvis	19	NYD
726 Midgett	18	NYD
210' WMEC:		
615 Reliance	26	NYD
616 Diligence	26	NYD
617 Vigilant	26	NYD
618 Active	24	NYD
619 Confidence	24	NYD
620 Resolute	24	NYD
621 Valiant	23	NYD
622 Courageous	22	NYD
623 Steadfast	22	NYD
624 Dauntless	22	NYD
625 Venturous	22	NYD
626 Dependable	22	NYD
627 Vigorous	21	NYD
628 Durable	23	NYD
629 Decisive	22	NYD

HIGH AND MEDIUM ENDURANCE CUTTERS AGE AND REPLACEMENT SCHEDULE—Continued

	Years in service	Replacement year
630 Alert	21	NYD
213' WMEC:		
6 Escape	[1] 47	NYD
167 Acushnet	[1] 47	NYD
168 Yocona	[1] 46	NYD
205' WMEC:		
153 Chilula	[1] 45	1992
165 Cherokee	[1] 51	1992
166 Tamaroa	[1] 47	NYD
230' WMEC: 38 Storis	48	NYD
180' WMEC:		
292 Clover	48	[2] 1990
295 Evergreen	47	[2] 1990
300 Citrus	47	[2] 1991

[1] Includes Navy service.

[2] Decommissioning linked to 270' WMEC delivery/operational dates.

NYD = Not Yet Determined.

CUTTER AWAY-FROM-HOME-PORT DAYS

Mr. LEHMAN. Would you update for the record the listing included on pages 936 and 937 of last year's hearing record, showing the operational days away from home port for each of your medium and high endurance cutters and icebreakers? Please also add columns showing budgeted availability goals and operating costs per hour for each vessel for fiscal years 1990 and 1991.

[The information follows:]

AWAY FROM HOMEPORT OPERATING DAYS

Cutter Class	1987	1988	1989
WHEC: (HIGH ENDURANCE CUTTER)			
HAMILTON	0 F	0 F	157
CHASE	166	142	29 F
DALLAS	9 F	0 F	0 F
GALLATIN	172	121	161
SHERMAN	0 F	0 F	69 F
MORGENTHAU	170	200	222
RUSH	175	153	179
MIDGETT	140	166	183
MELLON	0 F	0 F	100
BOUTWELL	157	177	41 F
MUNROE	11 F	0 F	0 F
JARVIS	184	72	197
WAGB: (ICEBREAKER)			
NORTHWIND	137	193	19 D
WESTWIND	9 E	18 D	0
MACKINAW	106	51	77
GLACIER	140 D	0	0
POLAR STAR	83 C	191	151
POLAR SEA	172	99	141
WMEC: (MEDIUM ENDURANCE CUTTER)			
BEAR	140	141	167
TAMPA	122	107	197
HARRIET LANE	194	128	152
NORTHLAND	150	146	144
SPENCER	131	177	192
SENECA	0 N	149	146
ESCANABA	0 N	178	174
THETIS	0 N	31	202
CAMPBELL	0 N	53	212
TAHOMA	43 N	130	170
STORIS	151	98	187
ESCAPE	91	121	156
ACUSHNET	137	98	225
YOCONA	154	175	158
VIGILANT	126	120	65
ACTIVE	79 M	129	225
DECISIVE	145	148	156

AWAY FROM HOMEPORT OPERATING DAYS

Cutter Class	1987	1988	1989
WMEC cont.			
VIGOROUS	138	101	149
ALERT	151	150	163
RELIANCE	64 M	0 M	141
DILIGENCE	140	127	191
COURAGEOUS	29 M	0 M	0 M
STEADFAST	142	136	170
DAUNTLESS	167	122	197
VALIANT	156	162	146
DEPENDABLE	124	141	200
DURABLE	0 M	0 M	73 M
VENTUROUS	153	109	154
RESOLUTE	57 M	157 M	201
CONFIDENCE	16 M	25 M	147
CHEROKEE	128	99	132
CHILULA	133	129	154
TAMAROA	155	138	204
CLOVER	157	118	179
EVERGREEN	107	99	218
CITRUS	128	112	175

Key:

M	Ship in Major Maintenance Availability (MMA)
N	New vessel; not fully operational
F	Ship in Fleet Renovation and Modernization (FRAM)
E	Extended maintenance or overhaul
D	Decommissioned
C	Deployments canceled due to lack of funds in other agency budgets (icebreakers operate on a reimbursable basis).

Note: (1) Budgeted availability goals are; 185 days away from homeport for all above vessels.

(2) Hourly operating costs are;

	1990	1991
WHEC	$2,316	$2,409
WMEC	$1,223	$1,272
WAGB	$3,743	$3,892

(Cost figures are based on 1988 Standard Costs adjusted for inflation @ 3.4% for 1989, 3.6% for 1990 and 4.0% for 1991)

FLEET OPERATING COSTS

Mr. LEHMAN. Please also update for the record the table on fleet operating costs which was included on page 938 of last year's hearing record.

[The information follows:]

This table shows the operating costs for each class of cutter including pay and allowances for the crew, fuel, maintenance, electronics support, and other miscellaneous operating costs.

FLEET OPERATING COSTS

[In millions of dollars]

	1989 estimate	1990 estimate	1991 estimate
WHEC 378	6.82	6.95	7.15
WMEC 270	4.66	4.80	4.94
WMEC 210	2.95	3.00	3.09
WAGB 400	7.90	8.14	8.38

HEALTH CARE COSTS

Mr. LEHMAN. On page 52, it appears as if you are requesting a 9 percent increase for health care costs. How was this level determined and what procedures, if any, do you have to attempt to control these costs? That's 4 percent inflation plus 5 percent, on page 52.

Admiral GILBERT. I'd like to spend just a moment if I could and amplify this one because this is a major problem for us, Mr. Chairman.

You're quite aware that medical costs are escalating throughout our society, and that's published widely and it affects us as well. And of course we get health care from the CHAMPUS system, from DOD and from our own resources. All of these are escalating at a rapid rate, and these are entitlements that we don't really have a choice in providing. We want to provide that for our people.

The Commandant has become very concerned with the continued growth in our medical care costs, and he's commissioned Captain Williams, who used to have Captain Thompson's job and he's been recently selected for Admiral, to head a blue ribbon panel to look at the total health care delivery system in the Coast Guard, see how much it's costing us, see if there are ways to control the cost and to see if it's responsive to the needs of our people.

So this is a major problem for us, and it's something that I would expect Members of the Committee will be dealing with for several years.

CIVIL PENALTY COLLECTIONS

Mr. LEHMAN. You are requesting an increase of $220,000 to centralize oversight of your civil penalties, and you state that the current lack of centralized oversight makes it difficult to determine how to use the civil penalty process. Does this request imply that your field personnel don't know how to assess and collect civil penalties? Isn't that one of their jobs?

Admiral Gilbert. No, sir, I don't believe that implication is correct. We write up the penalties and then send them through the process for collection. In the past, we've had some difficulty in collecting penalties, and that hurts us in two ways. Of course, the Treasury doesn't get the money, and it also removes one of the teeth that is in the enforcement process.

We centralized this for the Coast Guard back in 1988 in Alameda, and since then we've tripled the amount of collections that we're getting. We got $900,000 in fiscal 1989. I believe we're doing a little better this year.

We would also like to do some trend analysis and do some additional analytical work, and that's what these people would be for.

LOGISTICS MANAGEMENT

Mr. Lehman. You are requesting an increase of $2.2 million for a number of activities that appear to be nothing more than good basic day-to-day management (accurate record keeping, having allowance lists and repair parts inventories match a cutter's configuration and fiscal control over expenditures and repair parts inventories). Shouldn't your personnel be able to perform these activities without 24 additional staff to monitor them?

Admiral Gilbert. This is part of our increased emphasis on logistics, and they would do a lot more than the day-to-day oversight. They would provide techniques and training and check on compliance. And one of the major benefits, of course, is we would like to get a better handle on whether we have the appropriate number of spares onboard our vessels or not. If we could reduce the sparing, of course, there would be a substantial money savings. If we could get a better system to provide equipment to the ships, they would be able to operate more effectively.

Mr. Lehman. Mr. Coughlin, would you mind doing some of the AC&I justifications?

TACDIS PROJECT

Mr. Coughlin. No, Mr. Chairman. The placement of some programs within the AC&I account is confusing. For example, the TACDIS project, which is described as a command, control and communications system, is budgeted under vessels. Several shore-based computer systems are budgeted under C3 instead of under shore facilities, even though they are not described as C3-related. "Configuration management" which relates only to vessels, is budgeted under C3. How do you determine budget placement of such programs?

Admiral Gilbert. After re-reading this, I can see why the Committee would be confused. And it is confusing, but it does make sense.

If this is a program that serves a variety of users, then it would be listed under the C3 system where it might serve users on ships, shore stations and aircraft, for example.

If it's a single use program like TACDIS which is a shipboard system and it serves only the ship, then we thought it was more appropriate to put that on the ship section. So that's the basic criteria.

If it's a single use system, it is under that category. If it's a multi-use system, then it would be under the overall C3 category.

PRE-PRODUCTION AC&I FUNDING AND OUTLAY RATES

Mr. COUGHLIN. Provide a listing of the programs and their associated fiscal year 1991 budgeted costs which will fund activities prior to key decision point four; that is, approval for production. Please also provide spendout (outlay) rates by year for the AC&I and Research and Development accounts.

[The information follows:]

The following table shows those programs which will fund activities prior to Key Decision Point Four:

Fiscal year 1991 request

Program	*Amount*
Oceangoing Buoy Tender (WLB)	$2,200,000
Coastal Buoy Tender (WLM)	3,100,000
Patrol Boat (Heritage)	5,500,000
Motor Lifeboat (MLB)	1,000,000

The following table shows the traditional spendout rates for AC&I and RDT&E (across the board) outlays. While these rates may vary depending on project mix, they are recognized and accepted by DOT, OMB and CBO.

[In percent]

	Year 1	Year 2	Year 3	Year 4	Year 5
AC&I	11	25	34	20	10
RDT&E	34	52	14		

WLB/WLM RESIDENT INSPECTION OFFICES

Mr. COUGHLIN. You have had problems in the past from inadequate initial staffing in Resident Inspection Offices. What is your RIO staffing plan for the WLB/WLM Replacement projects?

Admiral GILBERT. We are aware of those past problems, and we have already arranged for the contracting officer and the commanding officer of the RIO to come onboard early so they will be ready to go when the contract is awarded. Of course, we don't know where they would go until the contract is awarded and we establish the RIO. We expect to have about eighteen people on the RIO staff for this contract.

WLB/WLM REPLACEMENT ACQUISITION

Mr. COUGHLIN. Provide a detailed acquisition schedule for the WLB/WLM Replacement projects and a financial summary by fiscal year.

[The information follows:]

WLB acquisition schedule

Issue solicitation for Contract Design	[1] March 1990
Proposals received	July 1990
Contract Designs awarded	January 1991
Contract Designs completed	October 1991
Lead Ship awarded	May 1992

Lead Ship delivered	January 1995
Test of Lead Ship completed	July 1995
Vessel options exercised	September 1995
Full Production contract awarded	November 1995
Delivery of first option vessel	September 1997
Delivery of first production vessel	January 1998
Delivery of last production vessel	Fiscal year 2002

WLB financial summary in fiscal year 1991 dollars

Fiscal year:	*Funding*
1991	$2,200,000
1992	48,730,000
1993	3,200,000
1994	4,400,000
1995	163,800,000
1996	213,710,000
1997	240,550,000
1998	239,480,000
1999	238,670,000
2000	1,340,000
2001	1,340,000
2002	1,340,000

[1] The schedule and financial information provided is based on the initial estimates. The WLB Replacement Project is approaching Key Decision Point Two (KDP2) approval by the Transportation Systems Acquisition Review Council (TSARC). Both the financial plan and acquisition schedule are being revised to reflect the latest estimates and proposed changes to the acquisition strategy that will be part of the TSARC KDP2 review.

The tentative WLM acquisition schedule follows:

Draft RFP completed	July 1990
Release Draft RFP for industry comment	August 1990
Issue Solicitation for Contract Design	December 1990
Proposals Received	March 1991
Contract Design Award	August 1991
Contract Design completed	May 1992
Lead Ship award	September 1992
Lead Ship delivered	May 1995
Test of Lead Shiup completed	November 1995
Vessel options exercised	January 1996
Full Production contract award	March 1996
Delivery of first option vessel	March 1996
Delivery of first production vessel	March 1998
Delivery of last production vessel	Fiscal year 2000

WLM financial summary in fiscal year 1991 dollars

Fiscal year:	*Funding*
1991	$3,200,000
1992	21,470,000
1993	320,000
1994	540,000
1995	66,550,000
1996	49,910,000
1997	33,280,000
1998	33,280,000
1999	1,000,000

NOTE.—The schedule and financial information provided is based on the initial estimates. The WLM Replacement Project has recently been restarted after funding was interrupted. All aspects of the project including acquisition schedule and fiscal requirements are being revised to reflect current estimates and proposed strategy changes.

Mr. COUGHLIN. Most of the fiscal year 1991 funding for the WLB Replacement project is for "support services contracts". What work is being funded and why is it needed in this fiscal year?

Admiral GILBERT. This is to provide us some analytical support as we make final preparations for the procurement process and evaluate the proposals that are going to be received from industry for designing this vessel. These would be looking at the manpower requirements, the training requirements, engineering support proposal evaluation support, and getting ready to staff the Resident Inspection Office to oversee the procurement.

MOTOR LIFEBOAT REPLACEMENT

Mr. COUGHLIN. The justification states that the first construction contract for the motor lifeboat will be awarded in fiscal year 1990, following prototype evaluation. However, the evaluation period is not expected to end until January 1991. Doesn't that indicate that contract award will be delayed by at least four months? And if not, why not?

Admiral GILBERT. We hope not. As you know, the IG and you have a requirement that we have the design reviewed and some testing done before we buy the additional five boats. We're working very hard with the IG to satisfy that requirement.

We think we can do the testing quickly after the boat is delivered. It's scheduled for delivery in June of this year. And we believe that we can meet the deadline. That option expires in December, so we have to move quickly in order to order the next five boats.

Mr. COUGHLIN. Does the Coast Guard still plan an industry-wide competition for procurement of the 100 production motor lifeboats and if so, what is the anticipated schedule for this procurement?

[The information follows:]

The production motor lifeboat contract will be an industry-wide competition. The Request for Proposals (RFP) is scheduled to be issued in January 1992. The contract is scheduled to be awarded in September 1992 and to extend through 1997.

Mr. COUGHLIN. Provide a breakdown of fiscal years 1990 and 1991 funding for this project and an obligation plan (month and year) for increments of that funding.

[The information follows:]

The motor lifeboat fiscal year 1990 and 1991 funding and obligation plan is noted below.

Fiscal year 1990: Funds available as of 1 October 1989	[1] $6,199,000
October	95,333
November	95,333
December	95,333
January	110,000
February	110,000
March	110,000
April	166,666
May	166,666
June	166,666
July	227,667
August	227,668
September	227,666
Fiscal year 1991: Funds requested 1 October 1990	1,000,000
October	43,478
November	43,478
December	4,443,478

January	43,478
February	43,478
March	43,478
April	43,478
May	43,478
June	43,478
July	130,434
August	217,396
September	260,868

[1] $4.4M of this amount represents funds to exercise the 5 boat pre-production option after resolution of design issues with the DOT IG and IG certification to Congress. As can be seen above, this obligation is estimated to occur in December 1990.

STERN LOADING BUOY BOATS

Mr. COUGHLIN. On page 72, you request $5.6 million to begin construction of a new class of stern loading buoy boats. The justification indicates that a concept design has been developed. However, it makes no reference to completion of preliminary design, contract design, or detailed design, all of which are normally required in order to have adequate drawings on hand to begin construction. Are you proceeding into construction without such drawings? And if so, why?

Admiral GILBERT. No, we are making progress on the design work and the preliminary design will be finished this June. The Naval Engineering Office is working on the contract design, and they expect that to be finished in December of this year. The detailed design will be done by the contractor that's going to build the boats. So we are getting the design work done.

Mr. COUGHLIN. Provide a listing of specific improvements planned for these new boats and explain how they will improve aids to navigation program objectives.

[The information follows:]

The new boat will replace two classes of boats: the 45 foot Buoy Boat Bow Loading (BU) and the 46 foot Buoy Boat Stern Loading (BUSL). These boats were built in the late 1950s and mid 1960s respectively. Both boats are single screw with a maximum speed of 7 to 9 knots. They have crew accommodations for four, but some do not have space for toilet facilities. Others were modified to include them.

The new boat will have twin screws, 12 knot speed, improved crew facilities, increased lift capacity, and a simple engineering and steering system that utilizes standardized engines, generators, reduction gears and steering systems supportable from off-the-shelf components.

This boat will improve program objectives by: (a) reducing the current four hours of maintenance for each hour underway to a more acceptable level, (b) reducing the response time for aid discrepancies, and (c) improving the safety and speed of the buoy handling evolution.

Mr. COUGHLIN. You estimate basic construction of the first seven buoy boats to cost $5.6 million, for a unit cost of $800,000. The next 17 boats are estimated to cost $13.6 million, which is also a unit cost of $800,000. Why are you not estimating any savings in unit cost in the follow-on boats from learning curve and other efficiencies?

Admiral GILBERT. Sir, the learning curve normally applies on fairly large productions where you can order the material all at once. In this case, we're talking about seven boats in the initial order and then three to five boats per year after that. So there would not be a lot of economy in ordering all the supplies at once, and since the production is fairly simple, there's not a great amount of learning to be done here.

We don't think there will be a large amount of savings. Whatever savings there will be will probably be eaten up by inflation as we drift along at three to five boats a year.

TALON HELICOPTER PROCUREMENT

Mr. **Coughlin**. Under Aircraft, the fiscal year 1991 budget includes $9.8 million for procurement of Talon Helicopter Tiedown Systems. What were the results of the Talon Operational Evaluation held last summer? What deficiencies were noted, and have they all been corrected?

Admiral **Gilbert**. Mr. Coughlin, this has been a very successful program. We had the demonstration last summer as you mentioned; there were some corrosion problems on the grid that fits on the ship. There were some problems on the grid, and that was a problem that's been corrected by the contractor. He was required to correct that; that was a fault of his.

The probes have worked quite well. We really haven't had any deficiencies, and this program is moving along very nicely. A great success.

Mr. **Coughlin**. Provide an acquisition schedule for the Talon program showing when production kits are to be ordered, delivered, and installed for the kits and probes requested in the fiscal year 1991 budget, and explain how the procurement quantities were allocated among the fiscal years budgeted.

[The information follows:]

Contract options will be executed in FY 1990 for all production kits and probes required for the TALON program. This represents a change from the original plans as indicated on the budget sheets for FY90 and FY91. This change in plans was based on a number of factors: (a) available contract options; (b) cost effectiveness of ordering all kits and probes in a single year; and (c) additional time for the contractor to resolve corrosion problems experienced in the initial grid production. Kit deliveries start in September 1990 at a delivery rate of no less than three per month. Probe deliveries are required to begin in September 1990 at a delivery rate of no less than two per month. Kits will be installed at the rate of 2 to 3 per month. The $9.8 million request for FY91 will be applied toward vessel hardware and installation costs.

TALON PROGRAM SCHEDULE

		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
FY90		ALL KITS & PROBES ORDERED											
FY91	KITS	3	3	3	6	6	6	6	6	6	6	6	6
	PROBES	4	4	4	4	4	4	4	4	4	4	4	4
	INSTALLATIONS	2	2	2	2	2	2	2	2	2	2	2	2
FY92	KITS	6	6	6	6	6	6	6	6	6			
	PROBES	4	1										
	INSTALLATIONS	2	2	2	2	2	2	2	2	2	2	2	2
FY93	INSTALLATIONS	2	2	2	2	2	2	2	2	2	2	2	2
FY94	INSTALLATIONS	2	2	2	2	2	2	2	2	2	2	2	2

VHF-FM SECURE COMMUNICATIONS IN ALASKA

Mr. COUGHLIN. Under Command, Control and Communications. According to the Inspector General, the Coast Guard has been thinking about installing VHF-FM secure communications capabilities at its sites in Alaska which is not cost-effective, even by the Coast Guard's owns studies. Are you actually planning such an acquisition? Are there any funds in the fiscal year 1991 budget for this project?

Admiral GILBERT. We are not planning it, and there are no funds. I read that IG report, and there was a little bit of a miscommunication there. This is not our plan.

Mr. COUGHLIN. Please expand on your answer for the record.

[The information follows:]

There are no plans to install secure VHF-FM in Alaska. Installation of protected voice communications in the VHF spectrum is not justified due to the expense that would be required to compensate for the effects of rough terrain and high power requirements. There are no funds requested for this project in the FY 1991 budget. The Coast Guard responded to the Inspector General Report on July 21, 1989, and concurred with its findings.

COMDAC SYSTEM

Mr. COUGHLIN. You have had a number of problems with the Command, Display and Control (COMDAC) system for the 270-foot cutters. What were the results of testing conducted in 1989? Will the Coast Guard be replacing COMDAC with a similar system, or are you satisfied with what you have?

Admiral GILBERT. The COMDAC system, as you mentioned, was tested. It met or exceeded all the test parameters except some problem with the visual positioning fixing system. We went back and we thought the requirements were a little more stiff than they needed to be on that particular system. So we were very happy with the evaluation. We have no immediate plans to replace the COMDAC system.

Mr. COUGHLIN. What would you say are the "lessons learned" from COMDAC's problems?

Admiral GILBERT. Well, I personally wrestled with this program for a number of years, and there are a lot of lessons. One of the problems, of course, is the technology evolved dramatically there in the mid to late seventies as we were trying to put this in. We also were trying to shoehorn some very sophisticated systems into the basic Navy computer system (the UYK-20, I believe it was at the time) that was not state of the art and would not accommodate all the things that we wanted to do. So I would say that was the major lesson, sir.

Mr. COUGHLIN. Provide a budget summary by fiscal year for COMDAC and compare that to original plans.

[The information follows:]

The Coast Guard's cost estimate for COMDAC in 1976 was included in the 270' WMEC Acquisition Paper (AP) for the first four ships. The 1976 estimate for 13 COMDAC systems was $16.4 million ($3.4 million for hardware development and $1 million per system for each of the thirteen ships).

However, this estimate did not include program costs such as: escalation, software development, spares, retrofit items, training, maintenance, or a support facility. In 1979 an AP Update requested funding authorization for the nine remaining cutters and the above items. By this time COMDAC hardware costs for four systems had grown $40 million. The AP Update was approved and an additional $125 million was authorized for COMDAC, bringing the total for 13 systems to $165 million, not including escalation.

The attached table provides the cost of COMDAC by fiscal year. The acquisition phase of COMDAC is complete.

COMDAC COSTS

[By fiscal years; in millions of dollars]

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
1976 Government estimate: Hardware for 13 systems													16.4
Hardware and spares	40	0	0.9	80.0	0	2.8	0.4	6.4	1.2	0.4	0.8	0.4	133.3
Support:													
COMDAC and system corrections	0	2.8	0	2.0	6.5	.8	7.2	9.8	1.6	1.5	3.9	.5	36.6
COMDAC support facility	0	0	0	.2	6.9	0	2.3	3.7	.2	0	0	0	13.3
Total	40	2.8	.9	82.2	13.4	3.6	9.9	19.9	3.0	1.9	4.7	.9	183.2

TACDIS FOR CUTTERS

Mr. COUGHLIN. Funds are requested to begin development of a Tactical Data Information System [TACDIS) for the 210-foot and 378-foot cutters. What are the specific requirements for this system and how are they documented?

Admiral GILBERT. They are documented on the tentative operational requirement which is established by the program manager, and that was done back in December of 1988.

On our larger cutters, the 378s, this would integrate the air and surface radars and the subsurface sensors, and it would display this for targeting and tactical information.

On the 210s, it would process information from non-ship sensors such as the aerostats and our C3I center down in Miami, and it would display this for use by the operators on the ship.

Mr. COUGHLIN. Expand on your answer for the record, including a financial summary by year for each ship class and a list of the specific equipment and its capability for each ship class.

[The information follows:]

The installation, under Coast Guard Yard contractor, will cost $1.3 million in AC&I funding for a 378' WHEC and $.3 million for a 210' WMEC. This covers twelve 378-Foot High Endurance Cutters (WHECs) and sixteen 210-Foot Medium Endurance Cutters (WMECs) with total AC&I funding of $34.4 million. In addition $1.8 million (AC&I) will be needed for developmental costs, and $1.7 million (O.E.) per year for maintenance support for all 378' WHECs and 210' WMECs.

AC&I REQUIREMENTS

[In millions of dollars]

Class (BY)	BY+1	BY+2	BY+3	BY+4	Total
378' WHEC	4.9	4.9	4.9	4.9	19.6
210' WMEC	3.7	3.7	3.7	3.7	14.8
Total	8.6	8.6	8.6	8.6	34.4

The capabilities of the specific equipment are:

(NOTE.—Equipment will be the same on both classes of cutters.)

Desktop Tactical Computer 2-Visually Integrated Display Software (DTC-2/VIDS).—World Database II cartography, will incorporate, hi-resolution navigation quality, Defense Mapping Agency electronic charts, Naval Tactical Data System (NTDS) and Joint Chiefs of Staff (JCS) target information system. The system provides limited USN warfare decision aids and is a subset of USN communications systems. The system is interoperable with USN Command and CONTROL (C2) system. The system is also being developed to include Coast Guard mission decision aids, compatability with Coast Guard sea-based aerostat system, and shipboard sensors.

Data Link.—HF+UHF Link 11 provides for receipt of data from USN sources.

Local Area Network.—Provides for large screen display and interconnectivity of shipboard sensor and data processing equipment.

GLOBAL POSITIONING SYSTEM

Mr. COUGHLIN. The Navy is paying for procurement of Global Positioning System (GPS) receivers for all Coast Guard aircraft except the HH-60J helicopter. Why isn't the Navy financing that procurement also?

Admiral GILBERT. The agreement with the Navy is to retrofit existing helicopters and aircraft and ships. It does not apply to new procurement. We're buying this system with the H-60 procurement, which is a joint venture with us and the Navy.

Mr. COUGHLIN. Has the Navy already procured the receivers for which installation funds are requested in the 1991 budget? When were they (or when will they be) procured, and what is the number of months after receipt of order to delivery?

[The information follows:]

Yes. In 1989 the Navy procured the 20 receivers we plan to install in CG aircraft. The time between receipt of order and delivery of equipment is 24 months. We have worked with the Navy to ensure delivery of receivers before scheduled installation. If the funds requested are approved, we expect to install all 20 GPS sets in FY 1991.

CONFIGURATION MANAGEMENT

Mr. COUGHLIN. Under Configuration Management, your request includes $2.3 million for support services. Exactly what services are you procuring and why?

Admiral GILBERT. There would be five major categories there: software development, data management, updating the drawings, developing user manuals and training.

MINOR AC&I SHORE CONSTRUCTION

Mr. COUGHLIN. Under Shore Facilities. The "Minor AC&I Shore Construction" account is up once again, from $5.5 million in fiscal year 1988 to $9 million in fiscal year 1991. Your projection for the next four years averages $12.5 million per year. Why is this account rising?

Admiral GILBERT. Well, as you may recall, fiscal 1988 was a very difficult year for us, so that's an anomaly as an unusually low amount during that year. The historical average had been considerably higher.

We think we're getting a very good return on the Minor AC&I program. It encourages people in the field to really design with a sharp pencil to get under the AC&I limit and get the capability they would like to have a lot quicker than you can get through the normal budget process.

So we're very happy with this, and I would expect we would continue to try to get an increase in this appropriation. It's one of the most popular and, I think, cost effective appropriations we have.

MINOR AC&I PROJECTS

Mr. COUGHLIN. Provide a listing of projects planned for fiscal year 1991.

[The information follows:]

The list of Minor AC&I projects follows:

Support Center New York—Construct Motor Pool Storage Facility.
Support Center New York—Construct Solid Waste Transfer Station.
Support Center New York—Construct Material Staging Bldg.
Support Center New York—Renovate Commissary Storefront.
Support Center Portsmouth—Construct Ship Storage Facility.
Station Mare Island—Construct Breakwater and Floating Docks.
Support Center Alameda—Renovate and Upgrade Exchange.
Support Center Alameda—Construct Child Care Development Center.
Station Quillayute—Construct Recreation Facility.
Group Portland—Upgrade Operations and Communications Center.
Base Ketchikan—Construct Enclosed Marine Railway.

CG Information Systems Center—Construct Barracks Addition.

CG Electronics Engineering Center—Expand and Renovate Maintenance and Logistics Bldg.

CG Yard—Construct Clinic Addition.

COAST GUARD INTELLIGENCE COORDINATION CENTER

Mr. COUGHLIN. On page 95, you request $1 8 million for relocation of the Coast Guard Intelligence Coordination Center from Coast Guard Headquarters to a new facility planned for construction by the Naval Intelligence Command. Why is it necessary for the Coast Guard to be co-located with the Navy rather than with other Coast Guard offices?

Admiral GILBERT. I'd like to ask Captain Thompson to answer this, if I could.

Captain THOMPSON. Mr. Coughlin, there are many Coast Guard missions which require similar intelligence support as the Navy already has inhouse: surface and subsurface contact tracking, law enforcement (particularly now that DOD is having a larger role in the drug interdiction), anti-terrorism, military preparedness and all. This co-location will allow us to share immediately in the Navy products that are available.

On the other hand, the missions are dissimilar enough that the Navy can't provide all that we need, so we do have to have some unique Coast Guard capabilities. It will give us the security and connectivity we need directly with the Navy systems, rather than to have a transfer of information.

The current headquarters building that we're in today, by the way, will be vacated by 1995, so we are going to have to relocate our ICC eventually anyway and build all of that secure space.

We recognized this and saw the opportunity to move in with the Navy. We took advantage of that and they modified their design to make the space available to us.

Mr. COUGHLIN. Using quantifiable workload measures, describe why an increase of 15 percent in office space is required (from 4342 to 5000 square feet). How much of this square footage is planned for a Secure Compartmented Information Facility [SCIF) and isn't the average design and constructive cost for such a facility extremely expensive?

[The information follows:]

The increase is due to the assignment of additional personnel and the acquisition and implementation of necessary intelligence and data processing systems. The increase in personnel and systems is a result of the Coast Guard's increasing roles in surface and air drug interdiction.

Twenty-seven Coast Guard personnel are currently permanently assigned to the Intelligence Coordination Center (ICC), with occasional augmentation by two Department of Defense (DOD) personnel. Three of the 27 USCG personnel are already located at the current Navy facility because of intelligence access requirements and lack of space at the ICC. An increase of eight Coast Guard/civilian personnel is planned, and there is a possibility of five more DOD intelligence personnel.

Square footage was calculated using the DOD Space Occupancy Guide for the National Capital Region. Calculations were made according to whether it was private or open office space (according to pay grade); workstations; other equipment space; administrative, conference, briefing and reception spaces; and storage, special, or miscellaneous space.

The breakdown is as follows:

	Square feet
Private Office Space	600

Open Office Space	1,720
Equipment Space	650
Administrative Support Space	1,495
Storage and Special Type Space	826
Total	5,291

Application of the modular workstation concept and the determination that some common areas could be shared with the Navy (24-hour watch, kitchens, lockers, etc.) reduced the total to approximately 5000 sq ft.

The entire space is planned to be a SCIF. A SCIF is more expensive to design and build, but the SCIF requirements was one of the major factors for requesting collocation with the Navy. Nearly the entire Navy facility is being designed and constructed as a SCIF.

Mr. COUGHLIN. Why shouldn't the Navy pay for this work?

[The information follows:]

The space is for Coast Guard use and benefits the Coast Guard intelligence program.

Mr. LEHMAN. Why is it necessary for the Coast Guard to have "100 percent access or connectivity to advanced intelligence systems and data", as stated on page 95 of the justification? How extensive is the Coast Guard's use of intelligence data outside of that used by the Joint Task Forces on the East and West Coasts?

Admiral GILBERT. We use intelligence for the apprehension and other purposes that are over and above the detection and monitoring requirement, plus we have a number of unique requirements in this area. So we have a need for intelligence information.

The analysis and production requires that we have connectivity to the sources and, of course, this is a very labor-intensive high data system, and automation is essential.

We have started to use intelligence far more effectively and, as the Commandant mentioned, roughly 50 percent of our hits are now associated in some way with intelligence.

Mr. COUGHLIN. Describe in detail the funding agreement between the Navy and the Coast Guard for design and construction for the ICC space.

[The information follows:]

The funding agreement has not yet been finalized. The Coast Guard and the Navy are presently negotiating a Memorandum of Agreement (MOA) concerning the design and construction of the space. A draft has been reviewed and returned to the Navy for changes. The draft describes the agreement of the Navy to provide approximately 5000 square feet of Special Compartmented Information Facility (SCIF) space in their new facility, based on mutually agreed space planning requirements; and the Coast Guard would agree to reimburse the Navy for the costs of incorporation into the building's design and construction on a pro rata basis. The draft further states that both parties will enter into a comprehensive support agreement, and that physical alterations of the space will be based on mutual agreement.

The actual transfer of design and construction funds, once agreed upon, will most likely be conducted in accordance with the USCG/Naval Facilities Engineering Command Memorandum of Understanding dated 17 December 1985. This MOU is the mechanism by which the Coast Guard is allowed to transfer engineering funds to the Navy.

STRIKE TEAMS

Mr. COUGHLIN. On page 96, you request $7 million to procure unspecified equipment for the National Strike Teams to respond to environmental accidents. How was the $7 million arrived at, and why is there no funding in any year after fiscal year 1991?

Admiral Gilbert. Well, there would be a requirement for follow-on funding after 1991. This would allow us to construct and equip one additional strike team and enhance the capabilities of the existing two teams. Some of the equipment in the existing two teams is in dramatic need of replacement.

As I said, there would be some OE follow-on required. This AC&I item was placed in our budget in anticipation of some additional demands placed on the Coast Guard as a result of the Exxon Valdez and the two oil spill bills that are currently being worked in the Congress.

Mr. Coughlin. Please expand on your answer for the record and provide a listing of the equipment to be procured, associated costs, and planned locations.

[The information follows:]

Our request for $7 million in Acquisition, Construction, and Improvements (AC&I) is intended to support the establishment of a third strike team and enhance the capabilities of the existing two teams. Of the total request, we estimate that $2.5 million would be required for construction of a new facility and the remaining funds would be available for equipment acquisition.

This request was prepared prior to passage of either the House or Senate oil spill bill. As such, it represents only a small portion of the total resource needs required to support the many new tasks anticipated from the oil spill legislation. For example, it appears that both the House and Senate bills may require several additional strike teams which would certainly require funds beyond FY 1991. In absence of final legislative tasking, we did not indicate a funding requirement beyond 1991. Upon passage of final oil spill legislation, a detailed listing of resource requirements will be prepared.

With uncertainty as to the total number of strike teams, their geographic location, or their ability to provide rapid overlapping support, a specific equipment listing has not been developed. However, as is currently the case, the inventory will primarily be comprised of: Air Deliverable Anti-Pollution Transfer System (ADAPTS) submersible pumps, a variety of other multi-stage and specialty pumps for use with chemicals and various viscosity oils, Open Water Oil Containment and Recovery Systems (OWOCRS) skimming barriers, a range of small boats, power generation equipment, transportation and hardware handling equipment, a variety of communications equipment, and, personnel safety and protection equipment.

Mr. Coughlin. What specific analysis was used to determine the types and quantities of equipment being procured and how is that analysis documented?

[The information follows:]

Our request for $7 million in Acquisition, Construction, and Improvements (AC&I) is intended to support the establishment of a third strike team and enhance the capabilities of the existing two teams. Of the total request, we estimate that $2.5 million would be required for construction of a new facility and the remaining funds would be available for equipment acquisition.

The portion of the request supporting equipment procurement was based upon a preliminary analysis of equipment inventory needs for an additional strike team as well as a review of equipment shortfalls for the existing teams. The analysis considered the current state of technology, the particular role of the strike team and the equipment needed to support that role, and the many lessons learned from the *Exxon Valdez* response. One such lesson learned was that our strike teams require a greater capability to communicate effectively with contractors and military responders, particularly so in a remote environment. Accordingly, our equipment list was divided into two sections: oil containment and removal; and, command and control communications. The following list of equipment applies:

Item	Quantity	Cost
Oil Containment/removal:		
Air Deliverable Anti-Pollution Transfer System (ADAPTS) Submersible Pumps	10	$500,000

Item	Quantity	Cost
Open Water Oil Containment and Recovery Systems (OWOCRS) Skimming Barriers	7	3,500,000
Command and control:		
Cellular Telephones	12	36,000
Satellite Telephones	8	324,000
Hand-held Radios	40	140,000
Equipment total		4,500,000

AIR STATION KODIAK, ALASKA

Mr. **Lehman**. How many aircraft fly in and out of the Kodiak, Alaska, Air Station daily, and what is the average delay due to the lack of usable ramp space?

Admiral **Gilbert**. This paving of the ramp there is required primarily for the safety of the aircraft and not necessarily for the scheduling. There are about 14 aircraft assigned to Kodiak, and about ten fly in and out of there each day. At the moment, there are no delays but there are some fog problems. When it's foggy, there is some congestion and the need to move the aircraft around, and also there's some damage to the aircraft as they travel over these gravel runways.

NOME/SIBERIA TRAVEL

Mr. **Lehman**. Mr. Coughlin, while you're on Alaska, is the Coast Guard involved in any of this travel between Nome and the Siberian town across the straits there?

Admiral **Gilbert**. I'm not aware of that, Mr. Chairman, but we have, as you may know, recently worked with the Soviets to join our LORAN system with one of their aids to navigation systems, and there has been some interplay between our people and their station in Siberia. But I don't know of any traffic that you're talking about.

Mr. **Lehman**. Have you heard of anything about these travels across the straits there? I didn't know whether the Coast Guard was involved in that or not.

Admiral **Gilbert**. I haven't heard but that doesn't mean it isn't happening. We can check and advise you of that.

Mr. **Lehman**. Let us know what's happening. I have some fantasy about going to Nome and flying across or taking a little boat across to Siberia.

Admiral **Gilbert**. Well, I'm sure we have plenty of people that would like to join you if you do that.

[The information follows:]

The Coast Guard is not normally involved with any travel across the Bering Strait between Alaska and the Soviet Union. During "Hands Across the Water" ceremonies, the runway at Loran Station Port Clarence was to be used to ferry people out to the Diomede Islands. However, due to adverse weather conditions at Port Clarence, Tin City Air Force base was used as the staging area.

HH-60J MAINTENANCE TRAINING FACILITY

Mr. **Coughlin**. On page 99, you request $2.1 million to begin construction of a maintenance training facility for the HH-60J helicopter. Since the Navy is also training maintenance personnel for their own H-60 helicopter fleet, why doesn't the Coast Guard use the Navy's facilities instead of constructing their own?

Admiral **Gilbert**. I believe the quickest answer is the Navy—we have talked to the Navy and they are "chock-a-block" with their requirements of their own. Another reason is that we don't have a total coincidence in the way we maintain and the rates that we use to maintain. So there is not a 100 percent overlap in the way we would train and the way the Navy would train, and there are difficulties in getting access to Navy training because of their own requirements.

Mr. **Coughlin**. Wouldn't the co-location of Navy and Coast Guard aviation maintenance training result in a stronger exchange of ideas and better rapport, and wouldn't this be of value to the Coast Guard?

Admiral **Gilbert**. We already have good rapport, and we have a lot of interaction with the Navy. I think we benefit, to the extent that we can, already from sharing knowledge. We do operate, of course, under different philosophies. Our enlisted rate structures don't match theirs; we do our maintenance in some ways that are different from theirs. It suits our requirements. So I don't think there's a lot of benefit to co-locating.

Mr. **Coughlin**. In total, this new facility is estimated to cost over $30 million. Provide details on the size and capacity of this center, its site layout and equipment, and a project schedule.

[The information follows:]

The HH-60J Maintenance Training Facility to be located with existing Aviation Technical Training Center (ATTC) facilities collocated at Coast Guard Support Center Elizabeth City, North Carolina, represents $2.1 million of the over $30 million required for all HH-60J training needs.

The $30 million provides for facilities and equipment at both the Aviation Technical Center (ATTC) at Elizabeth City NC, for "maintenance" training, and the Aviating Training Center (ATC) at Mobile, Alabama, for "flight" training. The $30 million represents:

Location	Item	Cost
ATTC Elizabeth City	Maintenance Training Facility	$2,100,000
ATTC Elizabeth City	Maintenance Training Equipment	9,000,000
ATC Mobile	Flight Simulator Building	1,200,000
ATC Mobile	Flight Simulator	20,000,000

The $2.1 million requested in FY91 for the HH-60J Maintenance Training Facility for ATTC will provide a new one story, 14,200 gross square foot facility that will be located in an existing parking area adjacent to the existing static display hangar at ATTC. This location will allow easy access between the new classroom/lab spaces and the hangar space where an actual HH-60J airframe will be available for hands-on training. The building will accommodate HH-60J maintenance training instructors, classrooms, lab space, technical library, computer center and avionics hot mock-ups.

The HH-60J Maintenance Training Facility is under design. The project schedule is:

Project event	*Scheduled date*
Complete 100%	Summer 1990
Award Construction Contract	Fall 1990
Complete Construction	Spring 1992

GOVERNOR'S ISLAND BUILDING RENOVATION

Mr. COUGHLIN. On page 104, you are requesting initial funds of $7.6 million to renovate building #550 at the Support Center on Governor's Island. That's a lot of money for renovation. Please provide details on exactly what work will be conducted, what equipment will be replaced and why it is needed.

Admiral GILBERT. This would provide us with a new health care facility there, and it's cheaper to renovate this existing building. We would be renovating two floors as opposed to building a complete new building. The renovation is, of course, expensive. Anything on Governor's Island is difficult to get to; it's expensive.

As you know, in all of these old buildings, there are always asbestos problems, and we think this is a good estimate. We think it's cheaper than building a total new facility. We're operating out of a building now that's forty or fifty years old. I was up there a few months ago myself and it's just totally inadequate.

As you may recall, this is the largest facility in the Coast Guard, about 2,500 people on Governor's Island. So we're talking about a hospital for what amounts to about a small city. It's placed on an island where construction costs are quite high, and it's difficult to get work done there.

Mr. COUGHLIN. Are you renovating any facilities other than the medical facilities?

Admiral GILBERT. Not under this contract. We would demolish the existing building after we have renovated and moved into the new clinic. We would demolish the old building. But that's all that's under this particular item.

FAMILY HOUSING

Mr. COUGHLIN. In fiscal year 1990, you provided 106 housing units under the Public Family Housing Program for $9.9 million, an average of $90,000 per housing unit. In 1991, you are budgeting $13.5 million for an estimated 82 units, which is an average of $160,000 per housing unit. Why are you budgeting so much more per unit?

Admiral GILBERT. The main reason here is that 40 of these units are at Support Center Kodiak, and it costs about twice as much to build something at Support Center Kodiak as it does for example in Key West, where we built them last year.

There is also some difference in the size of the houses that we're building this year as opposed to last year. Primarily, though, this is the cost of doing business in Kodiak.

Mr. COUGHLIN. Please describe the criteria, assumptions, and formulas used to build the fiscal year 1991 budget request of $13.5 million for this program.

[The information follows:]

OMB Circular A-18 establishes the criteria for minimum housing adequacy. Housing need is determined by annual surveys completed by the Coast Guard.

Housing market surveys evaluate the alternatives of leasing, purchasing or building housing. Leased or privately purchased housing is either not available or is beyond the financial means of Coast Guard personnel at Kodiak, Alaska; St. Ignace, Michigan; and Cape Cod, Massachusetts. The Coast Guard assumes the local housing market will not improve at these three locations.

The formula used to calculate the amount of housing needed is based on the number of authorized personnel. This is multiplied by a statistical percentage of married personnel, broken down by a statistical percentage distribution of familiy size and reduced by an occupancy planning factor to determine the required two, three and four bedroom units. Housing costs are determined using standard engineering evaluation and estimating methods, taking into account specific site considerations and a geographic cost factor.

Mr. COUGHLIN. This project includes $1.7 million to provide 12 housing units in St. Ignace, Michigan, which averages $140,000 per unit. What is the average price of a home today in that city?

Admiral GILBERT. I don't have the average price of a home in that city, and one of the problems is there aren't very many homes in that city for our people. We're not able to rent houses there for our people, and we're not trying to build gold plated houses here. This is our estimate for what it will cost to build a three or four bedroom unit at this location.

The reason we're building them, of course, is there is no housing there that we can rent for our people. As always, our solution of last resort is to build our own houses. We would prefer to find some other way of doing it.

Mr. COUGHLIN. It seems like this is awfully expensive for housing.

Admiral GILBERT. Well, the national median, as you know, is now around $100,000, and construction in this part of Michigan is higher than the national average. I used a pencil on this budget as well, and I was convinced by our people that's a decent estimate. If we don't use the money, of course, we won't spend it, but we don't want to come in with an unreasonably low request.

FIRE AND SAFETY HAZARDS AT BASE KETCHIKAN, ALASKA

Mr. COUGHLIN. Please explain the potential fire and safety hazards at the Ketchikan, Alaska Base which require the new construction of 26,000 square feet of storage space. What hazardous materials are at this facility and how are they presently stored?

Admiral GILBERT. This building is currently over fifty years old. It's made of deteriorated aluminum with wood structures on the side. It is currently storing hazardous material, and we believe that that's a fire hazard.

AC&I PERSONNEL COSTS

Mr. COUGHLIN. On page 115, you are requesting an 18 percent increase in AC&I personnel and related costs. This includes an increase of 24 new positions. Break down the planned responsibilities and grade levels/ranks of these new positions, and their locations, and explain why they are necessary.

[The information follows:]

The employee population required to fully support the successful execution of the Acquisition, Construction & Improvements (AC&I) Program is very dynamic. Each year billets are added, changed, or expire as the demands of the AC&I project workload changes.

The preliminary plans for the 24 additional AC&I billets and positions listed on page 115 are as follows:

HEADQUARTERS

GS-13 Engineer for Buoy Boat Project.

GS-12 and GS-13 Logistics Management Specialists for Configuration Management.

GS-13 Engineer for the Coastal Buoy Tender (WLM) project.

GS-12 Computer Equipment Analyst for the Tactical Data Information System project.

GS-13 Engineer for the Cockpit Voice rocorder/Flight Data Recorder project.

FIELD

WG-10 Aircraft Mechanic and WG-10 Electrician for installation of the TALON helicopter tiedown system at the Coast Guard Aircraft Repair and supply Center, Elizabeth City, NC.

16 military billets located at Coast Guard Support Center Portsmouth, VA to crew the Heritage Patrol Boat (WPB) prototype during the test and evaluation period. The following shows the planned staffing.

Grade/Rank	*Number*
Lieutenant (O-3)	1
Lieutenant Junior Grade (O-2)	1
Chief Petty Officer (E-7)	1
Petty Officer 1st Class (E-6)	2
Petty Officer 2nd Class (E-5)	4
Petty Officer 3rd Class (E-4)	3
Seaman/Fireman (E-3)	4

As indicated in last year's record, Coast Guard zero bases AC&I billet requests every year. Following the budget process, available resources have to be allocated to best serve the competing needs of planned program requirements and unplanned changes to the workload such as congressionally mandated projects and project work funded from other sources.

In general, if the required new positions are not provided, projects will slip. This inevitably leads to increased cost.

MISCELLANEOUS AC&I COSTS

Mr. COUGHLIN. Break down in detail the $1.5 million requested for "miscellaneous direct equipment/materials/travel/per diem" and the $1.3 million for "acquisition and support services". Also compare the requested level to previous years.

[The information follows:]

The fiscal year 1991 request for miscellaneous direct equipment materials, travel, and per diem is comprised of the following:

General administration for AC&I staff and projects at CG Headquarters	$408,000
Rent reimbursement for AC&I space	300,000
Administrative travel and supplies for field support organizations	792,000
Total	1,500,000

The fiscal year 1991 request for acquisition and support services is for development of the Acquisition Management Information System (AMIS).

The following table provides a comparision of the request with the previous two years.

[Requested in millions of dollars]

	Fiscal year 1989	Fiscal year 1990	Fiscal year 1991
Miscellaneous direct equipment, materials, travel, per diem	1.9	1.7	1.5
Acquisition and support services	1.8	1.8	1.3

AC&I FUNDED PERSONNEL

Mr. COUGHLIN. For the record, provide a listing of the location of all AC&I funded personnel positions and their associated grade levels or military rank. Also identify any currently vacant positions.

[The information follows:]

The following is a list of authorized civilian positions and military billets. Data on specific vacancies is not maintained at Headquarters. Generally all Enlisted and Warrant billets are filled; however, Officer billets and Civilian positions are experiencing a 9% and 5% vacancy rate respectively.

UNIT NAME	STATE	GRADE/RANK	COUNT
COAST GUARD YARD BALTIMORE	MD	LIEUTENANT COMMANDER (O-4)	1
		LIEUTENANT (O-3)	1
		LIEUTENANT JUNIOR GRADE (O-2)	1
		WARRANT OFFICER (W-4)	4
		GS-12	1
AIRCRAFT REPAIR AND SUPPLY CENTER ELIZABETH CITY	NC	COMMANDER (O-5)	1
		LIEUTENANT COMMANDER (O-4)	4
		LIEUTENANT (O-3)	1
		WARRANT OFFICER (W-4)	3
		SENIOR CHIEF PETTY OFFICER (E-8)	2
		CHIEF PETTY OFFICER (E-7)	2
		PETTY OFFICER 1ST CLASS (E-6)	6
		PETTY OFFICER 2ND CLASS (E-5)	2
		GS-11	1
		GS-9	1
		GS-7	1
		WG-11	1
		WG-10	4
		WG-8	4
		WG-7	1
ELECTRONICS ENGINEERING CENTER WILDWOOD	NJ	GS-12	1
SHIP REPAIR DETACHMENT SEATTLE	WA		
		LIEUTENANT COMMANDER (O-4)	1
		WARRANT OFFICER (W-4)	1
		CHIEF PETTY OFFICER (E-7)	1

UNIT NAME	STATE	GRADE/RANK	COUNT
SHORE MAINTENANCE DETACHMENT CLEVELAND	OH	LIEUTENANT (O-3)	1
		GS-12	1
SUPPLY CENTER BROOKLYN	NY	LIEUTENANT (O-3)	1
		WARRANT OFFICER (W-4)	1
		PETTY OFFICER 1ST CLASS (E-6)	3
		PETTY OFFICER 2ND CLASS (E-5)	1
		PETTY OFFICER 3ND CLASS (E-4)	2
		SEAMAN (E-3)	2
		GS-11	3
		GS-9	3
		GS-7	3
		GS-5	2
		WG-6	2
INFORMATION SYSTEMS CENTER ALEXANDRIA	VA	WARRANT OFFICER (W-4)	2
		GS-12	1
SUPPLY CENTER CURTIS BAY	MD	COMMANDER (O-5)	1
		LIEUTENANT (O-3)	2
		WARRANT OFFICER (W-4)	7
		CHIEF PETTY OFFICER (E-7)	3
		PETTY OFFICER 1ST CLASS (E-6)	4
		PETTY OFFICER 2ND CLASS (E-5)	3
		PETTY OFFICER 3ND CLASS (E-4)	2
		GS-12	3
		GS-11	6
		GS-9	8
		GS-7	4
		GS-5	2
NATIONAL MOTOR LIFEBOAT SCHOOL CAPE DISAPPOINTMENT	WA	WARRANT OFFICER (W-4)	1
		MASTER CHIEF PETTY OFFICER (E-9)	1
		PETTY OFFICER 1ST CLASS (E-6)	4

UNIT NAME	STATE	GRADE/RANK	COUNT
HEADQUARTERS WASHINGTON	DC	CAPTAIN (O-6)	9
		COMMANDER (O-5)	20
		LIEUTENANT COMMANDER (O-4)	38
		LIEUTENANT (O-3)	40
		LIEUTENANT JUNIOR GRADE (O-2)	9
		WARRANT OFFICER (W-4)	19
		SENIOR CHIEF PETTY OFFICER (E-8)	1
		CHIEF PETTY OFFICER (E-7)	4
		PETTY OFFICER 1ST CLASS (E-6)	4
		PETTY OFFICER 2ND CLASS (E-5)	5
		PETTY OFFICER 3ND CLASS (E-4)	2
		GM-15	2
		GM-14	12
		GM-13	26
		GS-13	16
		GS-12	30
		GS-11	12
		GS-9	4
		GS-7	3
		GS-6	4
		GS-5	7
		GS-4	1
1ST DISTRICT STAFF BOSTON	MA	PETTY OFFICER 2ND CLASS (E-5)	1
13TH DISTRICT STAFF SEATTLE	WA	GS-6	1
RESIDENT INSPECTOR OFFICE BATH	ME	CAPTAIN (O-6)	1
		COMMANDER (O-5)	2
		LIEUTENANT COMMANDER (O-4)	1
		LIEUTENANT (O-3)	4
		LIEUTENANT JUNIOR GRADE (O-2)	1
		WARRANT OFFICER (W-4)	6
		SENIOR CHIEF PETTY OFFICER (E-8)	3
		CHIEF PETTY OFFICER (E-7)	7
		PETTY OFFICER 1ST CLASS (E-6)	3
		PETTY OFFICER 2ND CLASS (E-5)	2
AIRCRAFT PROGRAM OFFICE GRAND PRAIRIE	TX	CHIEF PETTY OFFICER (E-7)	2
		GS-12	1

UNIT NAME	STATE	GRADE/RANK	COUNT
RESIDENT INSPECTOR OFFICE NEWPORT	RI	LIEUTENANT COMMANDER (O-4)	2
		LIEUTENANT (O-3)	2
		LIEUTENANT JUNIOR GRADE (O-2)	1
		WARRANT OFFICER (W-4)	4
		SENIOR CHIEF PETTY OFFICER (E-8)	2
		CHIEF PETTY OFFICER (E-7)	3
		PETTY OFFICER 1ST CLASS (E-6)	6
		PETTY OFFICER 2ND CLASS (E-5)	2
RESIDENT INSPECTOR OFFICE LOCKPORT	LA	LIEUTENANT JUNIOR GRADE (O-2)	1
		CHIEF PETTY OFFICER (E-7)	1
		PETTY OFFICER 1ST CLASS (E-6)	1
RESIDENT INSPECTOR OFFICE SEATTLE	WA	CAPTAIN (O-6)	1
		COMMANDER (O-5)	2
		LIEUTENANT COMMANDER (O-4)	1
		LIEUTENANT (O-3)	3
		LIEUTENANT JUNIOR GRADE (O-2)	3
		WARRANT OFFICER (W-4)	6
		MASTER CHIEF PETTY OFFICER (E-9)	1
		SENIOR CHIEF PETTY OFFICER (E-8)	2
		CHIEF PETTY OFFICER (E-7)	10
		PETTY OFFICER 1ST CLASS (E-6)	5
		PETTY OFFICER 2ND CLASS (E-5)	1
MOTOR LIFEBOAT PROJECT RESIDENT OFFICE NEW ORLEANS	LA	LIEUTENANT (O-3)	1
		WARRANT OFFICER (W-4)	1
		CHIEF PETTY OFFICER (E-7)	1

UNIT NAME	STATE	GRADE/RANK	COUNT
FACILITY DESIGN & CONSTRUCTION CENTER ATLANTIC PORTSMOUTH	VA	CAPTAIN (O-6)	1
		COMMANDER (O-5)	1
		LIEUTENANT COMMANDER (O-4)	3
		LIEUTENANT (O-3)	4
		PETTY OFFICER 1ST CLASS (E-6)	2
		PETTY OFFICER 2ND CLASS (E-5)	1
		GM-15	1
		GM-14	3
		GM-13	4
		GS-12	19
		GS-11	12
		GS-7	1
		GS-5	3
FACILITY DESIGN & CONSTRUCTION CENTER PACIFIC SEATTLE	WA	CAPTAIN (O-6)	1
		COMMANDER (O-5)	1
		LIEUTENANT COMMANDER (O-4)	3
		LIEUTENANT (O-3)	3
		CHIEF PETTY OFFICER (E-7)	1
		GM-15	1
		GM-14	2
		GM-13	6
		GS-12	14
		GS-5	3
MAINTENANCE AND LOGISTICS COMMAND ATLANTIC NEW YORK	NY	WARRANT OFFICER (W-4)	2
MAINTENANCE AND LOGISTICS COMMAND PACIFIC ALAMEDA	CA	WARRANT OFFICER (W-4)	2
		GS-5	2

Mr. **Coughlin**. That completes the AC&I. Do you want me to continue?

Mr. **Lehman**. Yes, for a little while.

ACQUISITION MANAGEMENT INFORMATION SYSTEMS

Mr. **Coughlin**. Under Acquisition Management Information Systems. Major acquisitions have been a problem for several years in the Coast Guard. To improve management in this area, the Coast Guard in 1986 began the AMIS computer project, which is designed to monitor progress being made on the major acquisition contracts. Now AMIS itself is suffering some of the same delays and cost overruns as the major acquisitions themselves.

What is the total expenditure for AMIS project design and development to date, and how does it compare to your original estimate?

What is causing delays in implementing the various subsystems comprising AMIS?

Admiral **Gilbert**. Originally we thought it would take five years and cost about $7 million. We're two and a half years into the project, and so far we've spent slightly less than $3 million. This was in 1987, 1988 and 1989. Five of the seven subsystems have progressed to prototype versions, so we think we're moving along pretty well on schedule. We've had some delays, but we think it's pretty well on track at the moment.

We think we can complete it within the original estimate. It will probably take us about a year longer than we originally scheduled.

I might just divert here for a minor editorial, in the sense that the question talked about major procurement problems. We have had problems with the FRAM program, as you are well aware of. We've had a number of other programs, though, that have been highly successful.

I talked about the Talon system a little bit earlier. Our 270-foot vessel procurement was an outstanding procurement. The CIWS Harpoon installations are going along quite well. The MRR helicopter, the H-60 helicopter, has been an ideal procurement. So we have had a lot of successes as well as a couple of problems.

We're proud of the successes; we're trying to minimize the problems. So thank you for the editorial diversion.

Mr. **Coughlin**. Have the system objectives or number of subsystems changed?

How much additional funds will be required to complete prototypes and implement the final (production) version of each application? When can we expect the system to be completed?

[The information follows:]

The Acquisition Management Information System (AMIS) was begun in 1987 to integrate seven major subsystems. The system objectives and number of subsystems remain unchanged. Implementation of the subsystems is on track. Five of the seven subsystems have progressed to the prototype or production version. It is estimated that $3.9 million is required to complete production revisions by 1992. The subsystems will require modification and improvement as technology advances and requirements change.

The question implies that many major acquisitions are suffering from delays and cost overruns. This has been the exception rather than the rule. Most projects, i.e. MRR, 270 WMEC, TALON, MLB, are generally on schedule and within budget.

AVIATION MAINTENANCE MIS

Mr. COUGHLIN. Under Aviation Maintenance Management Information System. The Coast Guard was unsuccessful in finding a small business contractor that could satisfy Coast Guard requirements for this project. Consequently, the Coast Guard went into full and open competition which caused delays in AMMIS procurement. In addition, DOT asked the Coast Guard to investigate an alternative system being developed by the FAA before proceeding with contract plans. This has reportedly caused an 11-month slippage in the project schedule.

What is the exact delay in schedule, and will it result in an increase in the overall life-cycle cost of the AMMIS project development? If so, how much?

What is the current scheduled completion date for this project?

Coast Guard's recent submission to DOT's five-year ADP plan shows $18 million for AMMIS in fiscal year 1994. What is the basis for this figure?

Admiral GILBERT. Let me start answering with the last part. The $18 million figure is an error, and we need to correct that. That's not the correct thing.

We found that the complexity of this procurement pointed us away from an 8A contractor, or a minority contractor, and that we had to have a full and open competition. So once we moved into a full and open competition, then we have to go through the procurement process and the evaluation of proposals and a formal source selection process. That put us behind by the eleven months that you mentioned.

We think we're now back on track for the new schedule. We don't see any effect in the life-cycle cost, but we will just get it about a year later than we had hoped to get it.

Mr. COUGHLIN. What is the figure now? Is it $18 million or not?

Admiral GILBERT. No, that number is incorrect. The number is $6.5 million.

Mr. COUGHLIN. How compatible will AMMIS be with other Coast Guard logistics supply information systems?

Admiral GILBERT. It will be able to use the logical framework of the other systems. We've tried to make sure that happens so that we don't reinvent the wheel.

Mr. COUGHLIN. Does the hardware and software acquisition for AMIS allow for technological advancement that could become the basis for promoting greater compatibility among Coast Guard supply and inventory systems? Is it restricted to aircraft maintenance management and supply functions?

[The information follows:]

The contract for an Aircraft Maintenance Management Information System (AMMIS) does allow for technological upgrades. However, during its development, the AMMIS contract is restricted to aircraft maintenance management and supply functions.

Other Coast Guard supply and logistics systems can utilize AMMIS framework for development of non-aviation supply systems. The Coast Guard Logistic Management Division is monitoring AMMIS development to determine if it might be a model for standard Coast Guard maintenance management and supply system applications.

Mr. COUGHLIN. How does the Coast Guard plan to address the incompatibility problems among its various supply-related inventory systems?

Admiral GILBERT. We're working toward integrating our systems so that we have a common system. As you may recall we established a logistics management division a year or so ago, and that's one of the primary reasons that we did that, to get a better focus on logistics and to make sure that our air, ship and land-based systems are more integrated and more responsive to the user requirements.

CORPORATE DATA BASE

Mr. COUGHLIN. The Coast Guard is developing the Corporate Data Base (CDB) to assist in the planning and decisionmaking activities of mid and upper-level management. Although the Coast Guard is relying on CDB to provide Coast Guard-wide data standards, a systems development life-cycle methodology is not being followed. Coast Guard is not developing and reporting life-cycle cost for all planned CDB system applications.

What is the total estimated life-cycle cost for the design, development, implementation and operation of CDB by fiscal year?

[The information follows:]

The Corporate Database Project (CBD) was begun in January, 1988, to improve management controls in the Coast Guard. The development approach has been to utilize prototyping methods, and proceed with system design, development, and implementation in a modular fashion. Completion of the project is targeted for fiscal year 1995. System maintenance and support costs will continue indefinitely at an estimated annual cost of $150,000 in fiscal year 1996 and beyond. The total estimated costs through fiscal year 1995 are as follows:

	Analysis and design	Development	Implement	Operation	Total
Fiscal year:					
1988	$103,922	$210,244	$67,791	$45,000	$426,957
1989	42,000	95,780	5,000	55,000	197,780
1990	98,000	214,408	60,000	125,000	497,408
1991	89,000	250,000	20,000	130,000	489,000
1992	80,000	320,000	20,000	135,000	555,000
1993	74,000	310,000	25,000	140,000	549,000
1994	65,000	260,000	25,000	145,000	495,000
1995	59,000	210,000	30,000	150,000	449,000
Total	610,922	1,870,432	252,791	925,000	3,659,145

Mr. COUGHLIN. Is there a comprehensive schedule for the CDB project? Has any schedule slippage occurred for CDB, and if so, what has been the impact on project costs?

[The information follows:]

The Corporate Database Development Plan outlines the modules to be developed in each fiscal year. Specific project milestones are governed by the Project Review and Deliverables Schedule incorporated in each Statement of Work to the contractor.

A one-month slippage in the development plan did occur in FY88 due to delays in delivery of hardware within contractual time limits. Purchase of alternate hardware cost $42,365. In all other phases, the CDB project has remained on schedule and within budget.

LAW ENFORCEMENT INFORMATION SYSTEM (LEIS)

Mr. **Coughlin**. You are requesting $1.8 million in fiscal 1991 to update and improve the Law Enforcement Information System (LEIS). Your justification shows total AC&I costs of $4 million. However, we are advised that the Coast Guard R&D Center has estimated total costs to be almost 50 percent higher, $5.8 million. Which is the more accurate estimate and why?

Admiral **Gilbert**. I'd like to refer that to Captain Thompson, if I could.

Captain **Thompson**. Mr. Coughlin, the project development plan would be the document that the Research and Development Center produced, which does indeed show the total cost of this project to be $5.8 million. The $4 million is shown on the AC&I budget sheet; in addition to that, there's $1.1 million which has been spent or will be spent in R&D on this project as referred to on page 162 of this budget. Some of this money was spent in 1990, and some will be spent in 1991. The final increment of $.7 million is some project OE costs we have as we develop that system and put it on line.

Mr. **Coughlin**. The Coast Guard has new requirements in view of its changing role in the law enforcement area. What process will be used to perform an in-depth analysis of integration requirements to improve tactical support for law enforcement responsibilities at the field level and program manager level?

Admiral **Gilbert**. We have used the Coast Guard users to identify the requirements in support of this system; in the redesign project, we interviewed people throughout the Coast Guard in November and December of last year. The purpose was to specifically find out what's needed in the system. There's an ongoing internal review and interaction in our organization with other agencies to refine the requirements.

These will be used to develop the ELT model, and the future use of the ELT model will drive the development of the system.

Mr. **Coughlin**. Have total life-cycle costs for LEIS II—including design, development, maintenance and operations costs—been estimated by fiscal year? What are those costs and on what basis were these figures derived?

[The information follows:]

Yes, the total life-cycle costs for LEIS II have been considered. The project cost figures were initially based on comparison to the development of the Commercial Driver License Information System. These figures are scheduled for a subsequent update in April 1990 based on contractor-assisted cost projections.

CURRENT ESTIMATED LEIS II DESIGN/DEVELOPMENT

[Costs in thousands of dollars]

	Fiscal year—						Total
	1989	1990	1991	1992	1993	1994	
RDT&E:							
SW Develop	290	800					1,090
HW		175					175
AC&I:							
SW			1,500		950	100	2,500
HW			75	650	550		1,275
OE				158	223	373	[1] N/A

CURRENT ESTIMATED LEIS II DESIGN/DEVELOPMENT—Continued

[Costs in thousands of dollars]

	Fiscal year—						Total
	1989	1990	1991	1992	1993	1994	
Total	290	975	1,575	808	1,723	473	5,844

[1] Continues at $373,000 per year. SW = Software and HW = Hardware.

Mr. COUGHLIN. What is the scheduled completion data for LEIS II development?

[The information follows:]

The Law Enforcement Information System (LEIS) II project will be undertaken in three separate phases. The first phase is scheduled for completion in late FY 1991 and deployed in FY 1992. Completion of the second phase is during FY 1993. The final phase is targetted for completion at the close of FY 1994.

Mr. COUGHLIN. Has a development plan been prepared which contains standards for software development and technology standards that comply with Coast Guard's information technology architecture?

[The information follows:]

Yes. In addition to development in adherence to Coast Guard standards, development will comply with Defense System Software Development Standards (DOD-STD-2167A). Development of LEIS will also share an architecture, and where possible, user interface and data elements with MSIS II. The Coast Guard is intent on integrating operational information where possible to eliminate redundant data entry and management.

Mr. COUGHLIN. Have ADP acquisition plans for hardware and software been developed and improved for the LEIS II project?

Admiral GILBERT. The project management plan lays out the expected project schedule based on the currently known information. It identifies the time frames for hardware procurement and software development, and the management plan was approved by the Chief of the Office of Law Enforcement and Defense Operations last July.

In the procurement process, in about 90 days, we expect to get a technology architecture study underway. We think we will complete that in July of 1990.

[Additional information provided for the record follows:]

The Coast Guard awarded a contract on 19 March 1990 to conduct a technology architecture study for LEIS II. The target date for completion of the study is 17 July 1990.

Mr. COUGHLIN. Are the existing Coast Guard standard workstations capable of supporting the LEIS II software technology and connecting to external systems? If not, what is planned?

Admiral GILBERT. Yes, they are compatible, and we expect that they will work with it.

Mr. COUGHLIN. Provide a LEIS II funding profile by fiscal year.

[The information follows:]

CURRENT ESTIMATED LEIS II DESIGN/DEVELOPMENT COSTS

[In thousands of dollars]

	Fiscal year—						Total
	1989	1990	1991	1992	1993	1994	
RDT&E							
SW Develop	290	800					1,090
HW		175					175
AC&I:							
SW			1,500		950	100	2,550
HW			75	650	550		1,275
OE				158	223	373	754
Total	290	975	1,575	808	1,723	473	5,844

SW = Software and HW = Hardware.

Mr. LEHMAN. Users of LEIS II will be required to utilize data similar to that collected by other operational systems. Plans are unclear as to how the data requirements for these projects are being coordinated.

To what extent will LEIS II information duplicate data in other Coast Guard databases such as Search and Rescue System and Marine Safety Information System?

How has the LEIS II project been coordinated with external law enforcement agencies regarding the interfaces needed to access and exchange law enforcement information?

Admiral GILBERT. As I mentioned earlier, these systems are going to be amalgamated in our operational computer center up in West Virginia. And that's going to be commanded by one of the most capable officers I know, Commander Fred Squires, who's coming in the summer to take over.

We have a users group and a development group that interacts with all the Coast Guard people that have an access or a need for these systems. It looks at redundancy and, of course, we're trying to eliminate as much redundancy as we can. We're also working very closely with other agencies that will need access to the system and other agencies that are building systems that might allow us to profit from what they know.

So I think we have a good management plan. We're migrating up to West Virginia. We have an extremely competent person running it, and I'm very optimistic that once we get the building available, and there's some delay there from GSA, that we will get this system up and running and it will be satisfactory to the users that need it.

Mr. COUGHLIN. Prime computers that support LEIS I have been enhanced several times over the past years to provide more processing and storage capabilities. Although requirements analyses have not been completed, Coast Guard is proceeding to purchase computer hardware without complete knowledge of the size of the data processing workload and the workload mix. LEIS will be gradually transferred from equipment at Coast Guard's Operations Computer Center (OCC) to new equipment at the planned computer facility at Martinsburg, West Virginia. Have hardware requirements for the new system been fully determined? Are LEIS hardware purchases being planned separately under the equipment plans for the Martinsburg facility?

[The information follows:]

A 90-day Technology Architecture Study is currently in the process of defining the hardware requirements for the new system. The project is being conducted by the Coast Guard Research & Development Center. We expect to have the results of the study by June 1990.

The equipment plans for the Martinsburg facility include the necessary equipment to meet current LEIS requirements. The Technology Architecture Study will identify any additional hardware that may be required for LEIS II. The results of this study will be available by June 1990.

MARINE SAFETY INFORMATION SYSTEM (MSIS)

Mr. COUGHLIN. Your fiscal year 1991 budget includes $2.5 million to begin a $17.7 million upgrade to the MSIS database. In May 1989, the Federal Systems Integration and Management Center completed a study of the types of automated support the Office of Marine Safety, Security and Environmental Protection requires. FEDSIM found that MSIS does not address many important activities within the Office.

What deficiencies were noted in the FEDSIM study?

Admiral GILBERT. That's a study in acronyms. The Federal Systems group that helps us, FEDSIM, is a computer literate group that helps Federal agencies define computer requirements, software developments and those kind of things. They are very good at doing requirements analysis and those kinds of things.

MSIS stands for Marine Safety Information System. This was started back in the 1970s because we have a lot of data in our Marine Safety Information System on ships and people and all of that. And we wanted to put this into an automated system.

The FEDSIM study kind of validated what we knew, and that is that we have a 1990 requirement that we're trying to satisfy with 1970 technology, and there's a substantial gap between the two of those.

So what we're doing is we're doing the requirements analysis and, as I mentioned earlier, we're moving up to West Virginia to integrate this into one command under a very competent person to take advantage of the synergy that's available in bringing together these systems.

I might point out that the FEDSIM report did strongly endorse the need for the MSIS system, which gives us a lot of good information to operate our marine safety program with.

Mr. COUGHLIN. Please expand on your answer for the record.

[The information follows:]

The FEDSIM study confirmed what the Coast Guard had already known—the MSIS system, built with 1970's technology to meet the marine safety information needs of the early 1980's, is inadequate to meet the projected information needs of the 1990's. As such, the Coast Guard does not view the FEDSIM study as particularly critical of MSIS, but rather it helped to identify areas of potential application for MSIS II.

The FEDSIM report to which you refer was an interim report dated May, 1989. The report identified 58 potential applications that could support all major marine safety, security and environmental protection activity areas, such as incident response, contingency planning, facility inspection and certification, seaman's licensing and documentation, vessel encumbrance recording, personnel exposure tracking, and user fee collection.

The final FEDSIM report, dated November 1989, incorporated several interim FEDSIM reports, as well as the findings of the software conversion study conducted by the GSA Office of Software Development & Information Technology. Among the included reports was a requirements analysis of marine safety information needs, an assessment of MSIS, a detailed cost/benefits and alternatives analysis, a technical feasibility assessment, recommended hardware and software architecture, standards for development, and a draft implementation plan for initial budgeting and planning efforts. In the final analysis, the report recommended development of 37 of the 58 candidate applications and complete replacement of MSIS.

We are continuing to use FEDSIM in the planning and development of MSIS II systems. Recently, FEDSIM completed the detailed requirements analysis for the MSIS II prototype of the seaman's documentation and licensing applications. This prototype is being developed by the Coast Guard Research and Development Center. The prototype will be tested at two field units and Headquarters in May 1991. It will employ FEDSIM's recommended distributed open system architecture and will be tested to evaluate the architecture for the development and implementation of the remaining 35 applications.

Mr. LEHMAN. In view of the FEDSIM findings, it is unclear whether existing data elements have been reassessed and how new requirements will be validated. Federal guidelines require agencies to justify projects by evaluating project requirements, technical feasibility, benefits, and costs to be incurred. Have these tasks been performed and what is the preferred alternative selected?

[The information follows:]

The findings to which you refer were contained in an interim FEDSIM report dated May 1989. The final report, dated November 1989, included the completion of the tasks in question. Following a detailed cost benefit analysis, FEDSIM recommended that 37 of 58 potential applications be developed and implemented in a distributed data base environment with workstations acting as primary application processors. We are pursuing the preferred alternative recommended by FEDSIM for MSIS II application development and implementation. That recommendation is:

"Develop completely new application software and abandon ACTS (the unique set of software development tools and programming language used to build and maintain MSIS). Existing MSIS application software would be completely replaced by a series of new applications. The projects to develop the replacement applications would be scheduled so that the existing MSIS would be shut down three years after start of the implementation effort (FY94). This schedule would allow several projects developing new applications to be performed concurrently, so that critical automation demands could be satisfied quickly. All software development would be performed with standard languages and accompanying software development tools specifically designed for the open and distributed MSIS II environment."

Mr. COUGHLIN. When will costs and benefits of alternative approaches for MSIS II be analyzed in detail?

[The information follows:]

The detailed cost and benefit analysis for alternative approaches to MSIS II were analyzed by FEDSIM and are provided in FEDSIM's final MSIS II report dated November 1989. The CG has followed FEDSIM's recommendations and has used its findings as a basis for requesting resources to begin the MSIS II development efforts.

Following a detailed cost benefit analysis, FEDSIM recommended that 37 of 58 potential applications be developed and implemented in a distributed data base environment with workstations acting as primary application processors. We are pursuing the preferred alternative recommended by FEDSIM for MSIS II application development and implementation.

Mr. COUGHLIN. How will users be involved in preparing the detailed requirements analysis to determine which systems, including those of external agencies, must interface with the MSIS II?

Admiral GILBERT. There's an extensive involvement of users and, in fact, I complain sometimes that we're spending too much money on conferences and travel to outline the requirements for these kind of systems.

We've gotten inputs from ten field offices and thirty headquarters staff elements, so a total of over 400 users have had an input in defining what's needed for the system. We're now amalgamating that into a system specification that will be used to procure the system.

Mr. COUGHLIN. The FEDSIM study identified several problems with the data integrity, inaccurate data, unnecessary data, and unnecessary procedures and controls. In what phase of the project redesign will these problems be addressed and how will they be addressed?

Admiral GILBERT. Mr. Coughlin, that is always, as you know, a huge problem with ADP systems. The data that we get is not what we would like to have, it's not timely, and it's not accurate sometimes. These shortcomings are being addressed in the requirements analysis. We want a step-by-step procedure in the development process to identify these shortcomings and sort them out and solve them.

The final FEDSIM MSIS II report made some recommendations and I think they'll be very helpful in addressing the problems and helping us get our operational computer center up and running and effectively serving it's users.

Mr. COUGHLIN. In light of the delays in opening the Martinsburg facility, what funding and contracting problems does this create for maintaining the current MSIS system at the contractor's facilities in Columbus, Ohio?

[The information follows:]

Current delays have required the Coast Guard to request another extension of the MSIS sole source contract that has been in place since 1978. We expect the contract to be extended to September 30, 1991. This contract is an R&D best effort development contract. Delay in moving to the Martinsburg site results in lost cost savings that would accrue from a recompeted cost-plus-award fee contract for operations and maintenance at the Martinsburg facility.

PERSONNEL ASSIGNMENT MIS (PAMIS)

Mr. COUGHLIN. Please describe, and provide examples of, problems with today's Personnel Assignment Management Information System (PAMIS) which require development of PDS, and tell us how PDS fits in with the Personnel Management Information System (PMIS).

[The information follows:]

The major problems being experienced with today's Personnel Assignment Information System (PAMIS) are:

(1) The current system is manually intensive;

(2) The system's Harris computer is 10 years old. Major system failures resulting in excessive down-time and loss of productivity are occurring with increasing frequency; the manufacturer will cease support of computer and terminals in September 1990;

(3) The Harris database and query languages are no longer supported in industry, and cannot be migrated to any other hardware platform and;

(4) PAMIS is not capable of:

(a) software or hardware enhancements to meet current requirements;

(b) supporting digital imagery and;

(c) accommodating use of modern language and parallel processing in support of minimum information system requirements.

The Personnel Data/Decision System (PDS) is a Headquarters maintained offshoot of PMIS (with local data additions) used for decision support. It replaces PAMIS and is used for Coast Guard-wide personnel administration management. PMIS is the individual member database used for processing payroll and personnel transactions.

PERSONNEL DATA/DECISION SYSTEM (PDS)

PERSONNEL MIS (PMIS)

Mr. COUGHLIN. Provide the acquisition strategy, project schedule, and an annual funding profile for PDS and PMIS.

[The information follows:]

The acquisition strategy for the PDS super minicomputer system for Service Record Automation (SRA) is to establish a Basic Ordering Agreement (BOA) with an 8(a) firm and to issue task orders against that BOA for the project.

Both PDS and PMIS Automated Information Systems (AIS) will be developed and procured under the established guidelines/requirements for planning and operating new AIS's in accordance with accepted practices and standards. This requires development and analysis of: purchase cost, objective of the AIS application, concept of operation, benefit/cost, system resource requirements, data management considerations, organizational and user impact, support requirements, site preparation, security requirements and alternatives.

PROJECT SCHEDULE

[Funding profile in thousands of dollars]

	BY	BY+1	BY+2
PDS: Procure Super Minicomputer for SRA	1,200		
PMIS:			
Develop and Perform Requirements Analysis	1,700		
Develop Data Model (with alternatives)		1,800	
Program, Implement and Test			1,000

ENVIRONMENTAL COMPLIANCE AND RESTORATION

Mr. COUGHLIN. You are requesting an appropriation of $7 million for your environmental compliance and restoration activities. What additional authorizing legislation do you intend to propose regarding this appropriation?

Admiral GILBERT. I would like to defer that to Captain Spade, if I could.

Captain SPADE. The authorization for the $7 million identified in the fiscal 1991 budget is needed because the Coast Guard Authorization Act of last year required that account to be set up.

Mr. COUGHLIN. Is your $7 million appropriation authorized? If so, please provide the specific authorizing language for the record.

[The informtion follows:]

Section 222 of the Coast Guard Authorization Act of 1989 (Public Law 101-225) established the Coast Guard Environmental Compliance and Restoration Program. As part of that legislation, a new paragraph (5) was added to section 662 of Title 14, United States Code, to require prior authorization "For environmental compliance and restoration at Coast Guard Facilities." There is presently no authorization language which specifically meets this requirement. We will be proposing, as a part of an authorization act amendment, the following specific authorization for the $7,000,000 appropriation:

Section 102 of the Coast Guard Authorization Act of 1989 is amended—

(1) . . ., and

(2) by adding after paragraph (5) the following new paragraph:

(6) For environmental compliance and restoration at Coast Guard facilities, $7,000,000, to remain available until expended."

ENVIRONMENTAL COMPLIANCE PROJECTS

Mr. COUGHLIN. How did you arrive at your $7 million request—do you have a specific list of projects you plan to undertake?

Admiral GILBERT. Yes, I have here about five or six. Support Center Kodiak for about $500,000. Kodiak again to do some corrective action there for $2.5 million. Our support center at Elizabeth City about $1 million on the fire training pit and the lagoon that's there. Again at Elizabeth City about $1 million for corrective action on the fuel farm. And some corrective action on our fuel farm up at Air Station Brooklyn.

Mr. COUGHLIN. If a list exists, please provide it for the record, including the cost and why the project was selected.

[The information follows:]

Environmental compliance projects were selected on a priority basis for need of remediation and our ability to execute the project in FY91. A list of the projects we plan to undertake in fiscal year FY91 and their costs follows:

[In millions of dollars]

Location	Project description	Cost
Support Center Kodiak	Complete Remedial Investigation and Feasibility Study, and begin Corrective Measures Study.	0.5
	Corrective Action Plan (CAP), excavate and thermally treat fuel contaminated soil and eliminate Polychlorinated Biphenyls (PCBs).	2.5
Support Center Elizabeth City	Lagoon/Fire Training Pit area remediation	1.0
	Fuel Farm Corrective Action	1.0
Air Station Brooklyn	Corrective Action—Fuel	1.0
Coast Guard Wide	Begin Site Investigations of major Coast Guard facilities	1.0

STATUTES REQUIRING COMPLIANCE

Mr. COUGHLIN. What specific statutes are you bringing your facilities into compliance with, and do you have a list of your facilities that are not currently in compliance? If so, please provide the list along with cost estimates to bring each project into compliance and if not, when do you intend to develop such a list?

Admiral GILBERT. Let me answer the second part first. We are currently compiling that list. I hope to have that by the end of fiscal 1991. To demonstrate the difficulty of the problem here, let me just read some of the statutes that we're trying to comply with. The Resource Conservation Recovery Act, the Comprehensive Environmental Restoration, Compensation and Liability Act, sometimes known as CERCLA, Toxic Substance Control Act, the Clean Water Act, the Clean Air Act, the Noise Control Act, the Endangered Species Act, and a number of others. These are what we're wrestling with to bring our programs into compliance.

TRAVEL

Mr. COUGHLIN. On page 121, why are you requesting nearly $1 million for travel?

Admiral GILBERT. Mr. Chairman, I think I'll have to defer to Dr. Billingsley on that.

Dr. BILLINGSLEY. Thank you, Admiral. Mr. Coughlin, I'd like to mention to you that the million dollars that we're identifying for travel is based upon historical information we have, as best as we have it. As you know, this is a new account that was established in the recent authorization act. So we really don't have an historical track of accounting information or tracking information, so it is a best guess estimate. And certainly we have established a tracking system now so next year we will know exactly what the costs will be. Thank you.

CERCLA

Mr. COUGHLIN. According to Public Law 101-225, amounts recovered under section 107 of CERCLA for the Secretary's response actions at current and former Coast Guard facilities shall be credited to this account. What does this involve? Have any recoveries been made to date or any contemplated during fiscal years 1990 and 1991?

Admiral GILBERT. There have not been any recoveries made to date, and I would not expect any in 1990 and 1991.

Mr. COUGHLIN. Thank you. I'll turn it back to the Chairman.

ALTERATION OF BRIDGES

Mr. LEHMAN. Thank you, Mr. Coughlin. You are requesting $6.353 million for alteration of bridges. What is your present unobligated balance under this appropriation?

[The information follows:]

The present unobligated balance under this appropriation is $6,402,000. These funds are committed to ongoing bridge alteration projects in Hannibal, MS and New Bern, NC and will be obligated in FY91.

Mr. LEHMAN. Would you provide for the record a breakdown of your unobligated balance, indicating the project for which the funds were appropriated?

[The information follows:]

A breakdown of our unobligated balance is as follows:

Newark, New Jersey	$4,079,000
Hannibal, Missouri	2,323,000
Total	6,402,000

BRIDGE ALTERATIONS—PROJECT STATUS

Mr. LEHMAN. In past fiscal years, Congress has provided funding for the Williamette River Bridge in Portland, Oregon; the Trent River Bridge in New Bern, North Carolina and railroad bridges at Hannibal, Missouri, and Pascagoula, Mississippi. What's the status of these projects?

Admiral GILBERT. The Williamette River Bridge has been completed. The design has been completed on the Trent River Bridge. We estimate bid opening in July of 1990. On the Hannibal River Bridge in Missouri, the design has started. We estimate that the design will be completed in August of this year. In Pascagoula, the design has been started. I estimate that that will be completed in November of this year.

Mr. LEHMAN. Last year, you indicated you had a total of about $3.5 million in unobligated funds from the Newark Bay project pending closeout of the project. Are these funds still available? If not, what happened?

Admiral GILBERT. Those funds are still available. Mr. Chairman, we're working on a reprogramming proposal, but it has not been approved by the Secretary yet. I would expect you to see that in the next couple of months.

Mr. LEHMAN. Do you have any bridges for which notices-to-alter have been issued but no funding has been provided or requested?

Admiral GILBERT. No, sir.

OFFSETTING COLLECTIONS

Mr. LEHMAN. You are estimating that you will receive $700,000 in offsetting collections from non-Federal sources in fiscal years 1990 and 1991. What's the source?

Admiral GILBERT. That's the owner of the Hannibal River Bridge that is the source of that $700,000.

Mr. LEHMAN. Please provide a breakdown of any offsetting collections or recoveries received to date in fiscal year 1990.

[The information follows:]

There have been no offsetting collections or recoveries received to date in fiscal year 1990.

RECOVERIES

Mr. LEHMAN. On page 123, you indicate that in fiscal year 1989, $156,000 was recovered from prior year obligations. From which project were these funds recovered and have they been reallocated?

[The information follows:]

The $156,000 was recovered from the Newark, New Jersey project and was reallocated to the Hannibal Bridge project.

BURLINGTON-NORTHERN BRIDGE

Mr. LEHMAN. On page 126, you are requesting $1 million to begin the alteration of the Burlington-Northern Railroad Bridge in Burlington, Iowa. When was the notice-to-alter this bridge issued and what is the benefit to cost ratio?

Admiral GILBERT. That order has not been issued as yet. We have done some preliminary studies, and we expect to meet at least a one-to-one cost benefit ratio, but the order has not been issued.

Mr. LEHMAN. What is the status of this project and how was your $1 million funding level determined?

[The information follows:]

The final report for the Burlington Northern Railroad Bridge in Burlington, Iowa, is now under preparation by the Commander, Second Coast Guard District. Completion of the report is expected by May 1990. The $1 million funding level is estimated for engineering design based on costs for similar alterations. This bridge is expected to qualify for alteration based on a preliminary report. The order to alter the bridge will follow the May 1990 final report.

FEDERAL COST SHARE

Mr. **Lehman**. According to the information on page 126, the Federal share for these projects varies from 88 percent for Hannibal to 96 percent for Pascagoula. Have you ever proposed a change to the Truman-Hobbs Act, so that these profitable railroads would have to pay for more than 10 percent of the cost of the bridges?

Admiral **Gilbert**. No, we have not proposed a change to the legislation, and of course to change the percentage would require a change in the legislation. As you may know, in the last two or three years, we've been working to give this program back to the Army Corps of Engineers. I think in a later question we address the fact that that's not going to happen now, so we may want to go back and review this.

Mr. **Lehman**. What is the status of your proposed legislation to transfer this program to the Corps of Engineers?

Admiral **Gilbert**. Mr. Chairman, Admiral Yost had that as one of his priorities when he became Commandant. He has now decided that it's not going to be possible to do this, and we have withdrawn the proposal because it got a less than enthusiastic reception at the Congress.

We'd like to take that as a compliment, that the Congress thought we were doing such a good job that we should continue. So I don't expect you to see any additional proposals to transfer this to the Army Corps of Engineers.

RETIRED PAY

Mr. **Lehman**. Turn to retired pay. You received an appropriation of $420.8 million for retired pay in fiscal year 1990. Is your current fiscal year obligation rate consistent with this total funding level?

[The information follows:]

Yes. Taking into account the lag in reporting health care costs and new additions to the retired rolls, our fiscal year 1990 projections are on track.

FY 1990 OBLIGATIONS

Mr. **Lehman**. Would you indicate for the record your actual obligations to date during fiscal year 1990, and your estimated monthly obligations for the balance of the year?

[The information follows:]

Retired pay obligations

[In thousands of dollars]

Actual obligations:	
October	33,209
November	32,844
December	34,997
January	35,307
Subtotal	136,357
Estimated:	
February	35,197
March	35,298
April	34,398
May	35,503
June	35,618
July	35,725
August	35,825

September	35,879
Subtotal	284,443
Total	420,800

FY 1989 FUNDING LAPSE

Mr. LEHMAN. What was the reason for your $19 million funding lapse in fiscal year 1989, particularly since you had only 43 fewer retirements?

Admiral GILBERT. Because this was a non-discretionary account and is part of the summit agreement, it wasn't reprogrammable to other things. There were some fewer retirements than we had anticipated. We have updated our estimates and our data, and I believe we have a more accurate estimate in this year's budget.

COST-OF-LIVING

Mr. LEHMAN. On page 132, you are not requesting any funds for the January 1, 1991 cost-of-living increase. Why are you proposing a 3.5 percent cost-of-living increase for operating expenses but none for retired pay?

[The information follows:]

The Office of Management and Budget (OMB) provided government-wide guidance that the President's budget would request a 3.5% pay adjustment for the active force with 50 percent to be absorbed by the agency. OMB also provided government-wide guidance that legislation will be proposed to eliminate the January 1991 cost-of-living (COLA) increase for retirees.

Mr. LEHMAN. What would you need to cover a 3.5 percent cost-of-living increase?

[The information follows:]

The Coast Guard would require an additional $10,500,000 to cover a 3.5 percent cost-of-living increase in FY 1991 for retired pay.

RETIREMENTS

Mr. LEHMAN. Is your actual experience to date during fiscal year 1990 consistent with your estimate of 1172 retirements for fiscal year 1990?

[The information follows:]

Historically we experience increased rates of retirement during the summer months. Seasonally adjusted retirements along with actual experience to date indicate that we are consistent with our estimate of 1172 retirements.

ANNUAL RETIREMENTS

Mr. LEHMAN. Would you like to update for the record the retirement table included on page 1024 of last year's hearing record?

[The information follows:]

ANNUAL RETIREMENTS AND NUMBERS ON ROLLS

	Estimated	Actual
Number on rolls: [1]		
1990	26,094	
1989	25,523	25,513

ANNUAL RETIREMENTS AND NUMBERS ON ROLLS—Continued

	Estimated	Actual
1988	24,940	25,023
1987	24,673	24,430
1986	24,298	24,254
1985	23,913	23,755
1984	24,191	23,379
1983	23,562	23,085
1982	22,442	22,517
1981	20,831	21,714
1980	20,178	20,521
Retirements 1982–90:		
1990	[2] 1,172	[3] 475
1989	1,104	987
1988	851	1,284
1987	799	818
1986	806	977
1985	860	837
1984	1,287	750
1983	1,283	860
1982	1,060	954

[1] Average strength on the rolls during year indicated.
[2] Reflects update of fiscal year 1988 budget submission estimates.
[3] As of March 7, 1990.

ANNUAL PAY OF RETIRED PERSONNEL

Mr. LEHMAN. Would you also update for the record the table included on page 1025 of last year's hearing record, indicating by grade the average annual pay for your retired personnel?

[The informationn follows:]

AVERAGE ANNUAL PAY FOR RETIRED PERSONNEL BY GRADE

	Regular	Reserve [1]
Commissioned officers:		
0–10	$70,704	0
0–9	62,880	0
0–8	56,352	18,144
0–7	51,756	0
0–6	41,880	13,788
0–5	27,936	9,972
0–4	23,724	8,604
0–3	19,908	9,852
0–3E	19,104	10,008
0–2	11,976	10,406
0–2E	11,860	0
0–1	11,496	0
0–1E	0	0
Warrant officers:		
W–4	25,344	9,360
W–3	17,400	7,200
W–2	19,388	5,724
W–1	12,672	0
Enlisted personnel:		
MCPOCG	32,520	0
E–9	20,592	6,540
E–8	15,912	6,156
E–7	13,044	5,868
E–6	10,740	4,488
E–5	6,756	3,852

AVERAGE ANNUAL PAY FOR RETIRED PERSONNEL BY GRADE—Continued

	Regular	Reserve [1]
E-4	4,440	5,892
E-3	3,672	4,824
E-2	3,228	3,516
E-1	3,330	0

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[1] Reserve Retired Pay is based on a "point" system; "points" are accumulated for number of years of active duty service, courses completed, drill weekends, and Survivor Benefit Program enrollment. There, it is possible for retired pay inversions to occur that would otherwise seem unlikely.

RESERVE TRAINING

Mr. LEHMAN. Turn to Reserve Training. We have already discussed this program to some extent. How does the current onboard strength of your selected reserve compare with your projected end-of-the-year strength of 12,100 reservists?

Admiral GILBERT. At the moment, we have 11,945 reservists. This is about where we think we should be at this time. We expect no difficulty in reaching our year-end strength goal. As you know, in the reserve program, most of the recruits come on in the summer after high school graduation. We lose people throughout the year, so we trickle down and come back up in the summer.

RESERVE CRITICAL RATINGS

Mr. LEHMAN. In past years, it was indicated that you had personnel shortages in certain technical or other specialty areas, such as radarmen, gunners mates, fire control technicians. To what extent do these shortages still exist and how successful has the critical ratings panel, which was discussed in last year's hearing, been in increasing the number of petty officers in these areas?

Admiral GILBERT. We are not doing much better than we were last year. We still have those shortages, although this is only about 4 percent of wartime allowances. But these are in disciplines where there are not a lot of people in the private sector doing those things, so we don't have an attractive pool of people to draw from. We don't have very many gunners mates out in society and those kinds of things.

So this is a vexing problem, and we're trying to make progress, but I expect it to continue to be a problem.

Mr. LEHMAN. Same shortages in the private sector.

Admiral GILBERT. Yes, sir.

RESERVE TRAINING FACILITIES

Mr. LEHMAN. Would you provide a breakdown of your $11,016,000 request for operation and maintenance of your training facilities similar to that on page 1026 of last year's hearing record, including an explanation of the costs at your Yorktown training center and the costs at your inactive duty training sites?

[The information follows:]

Operation and maintenance of Coast Guard Reserve training facilities

[In thousands of dollars]

Annual training and initial active duty training sites:	
Reserve Training Center, Yorktown	7,514

Training Center, Petaluma	545
Training Center, Cape May	975
Inactive duty training sites	1,772
Course Preparation and evaluation site:	
Coast Guard Institute	141
Supply Center Brooklyn	69
Total	11,016

Reserve Training Center, Yorktown Cost Elements:	
Pay and allowances:	
Military full-time support staff	4,171
Civilian full-time support staff	520
Operating and maintenance costs	2,823
Total	7,514

RESERVE INITIAL TRAINING COSTS

Mr. LEHMAN. Why are your fiscal year 1990 initial training costs decreasing by almost 25 percent when the number of initial training days increased slightly?

Admiral GILBERT. Well, of course, we got our appropriation late in fiscal 1990, and the initial training days were not adjusted as a result of that.

RESERVE ADMIINISTRATION COSTS

Mr. LEHMAN. You are requesting $15.28 million for administration. This represents 19.4 percent of the total reserve training appropriation compared to the 15.8 percent 10 years ago. What does this $15.28 million include and why is the percentage of your program allocated to administration increasing slightly, about-3 to -4 percent, each year?

Admiral GILBERT. Ninety percent of our administration program supports the full time people that administer the reserve program. And of course, that increases each year even if we don't increase the number of people because of pay raises and other things that happen during the year. We have 444 military and civilian full time people that help us administer the reserve program.

These people are out in district offices and the headquarters and reserve units, and there has also been some minor shift from training to admin. and support billets in the last few years.

RESERVE ADMINISTRATION COSTS

Mr. LEHMAN. You estimate that you will recruit 1023 reservists in 1990. What has your reserve recruiting experience been to date compared to the 1990 goal?

Admiral GILBERT. We have recruited 262 new recruits so far in fiscal 1990. Our goal is 268, so we're only 6 behind the goal. As I mentioned a little earlier, we get most of our recruits in the summer.

Mr. LEHMAN. At the end of the school year.

Admiral GILBERT. Right. In the summer. And, in fact, we close down our boot camp at Cape May for regulars in June in order to train reservists, so if we bring them onboard during the year, we wouldn't be able to train them anyway. So we're doing okay.

Mr. LEHMAN. And the 1991 goal of 1600, is it going to be tough?

Admiral **Gilbert**. It will be tough, but we're confident we will make that.

RESERVE DRILLS

Mr. **Lehman**. On page 1028, you indicated your budget assumed 42 drills per year in 1989 and 1990. What are your current assumptions for fiscal years 1990 and 1991?

Admiral **Gilbert**. We haven't changed our assumptions. The historical drill attendance has been about 87 percent of scheduled drills. There are 48 drill possibilities for a year, so 87 percent of 48 comes out to be the 42 drills, and we don't expect that to change.

Mr. **Lehman**. In the past, you have had as few as 40 drills per year. What trade offs do you consider between increasing the number of drills and increasing the number of recruits?

Admiral **Gilbert**. Well, it's very difficult to make a trade off here because there's a full training requirement in order to have a fully capable reserve capability. So I don't believe we could reduce the training requirements and bring on additional reservists because then we would have reservists that are not adequately trained.

RESERVE INITIAL TRAINING DAYS

Mr. **Lehman**. Would you update for the record the table showing initial training days that was included on page 1028 of last year's hearing record.

[The information follows:]

BREAKDOWN OF INITIAL TRAINING DAYS—FISCAL YEAR 1991

Category	Number of reservists	Total days
RP—single phase [1]	380	64,600
RK—I—split phase [2]	450	25,200
RK—II—split phase [3]	290	28,200
Total		118,000

[1] RP—Non-prior service recruit, age 17–26; spends an average of 170 days (continuous) at initial training.

[2] RK—I—Non-prior service recruits enrolled in school, age 17–26; spends an average of 56 days in phase I of initial training (boot camp only).

[3] RK—II—Prior year RK-I's; spends an average of 98 days in phase II of initial training (formal school training).

RESERVE "OTHER SERVICES"

Mr. **Lehman**. Why are your "other services" costs on page 140 projected to increase by more than 18 percent in 1991?

Admiral **Gilbert**. Normal inflation accounts for about $2.6 million of the increase, and that's roughly 20 percent of the increase. We would also like to bring onboard 650 additional reservists, and there's some administration costs with those additional reservists. The balance of the other services represents some medical support, some food service contracts and some ADP maintenance costs.

RESERVE EQUIPMENT COSTS

Mr. **Lehman**. You also have on page 140 a 67 percent increase in equipment. What's the reason for this?

Admiral Gilbert. This is to try to close the gap on some serious existing shortfalls in our training equipment for reservists and to replace some of the boats and some of the ADP equipment that's currently in inventory.

SELECTED RESERVE LEVEL

Mr. Lehman. And you're requesting an increase of $3.9 million for your selected reserve to increase your selected reserve force by 650 personnel to 12,700. How was this level determined?

Admiral Gilbert. In reviewing the Joint Chiefs of Staff and Coast Guard war plans, we need a total of 65,500 Coast Guard people shortly after mobilization. We have about 38,000 active duty people, so then we would need to supplement this 38,000 with reservists and ultimately the objective is to have reservists to meet 95 percent of our mobilization requirements.

We sent a report to Congress outlining a ten-year growth plan to accommodate that. We're way behind, we're down below 50 percent of the reservists that we would need for mobilization. We're trying to grow to the extent we can recruit and we can obtain funding to grow our reserve force. So it's a compromise here between what we can recruit and what we can pay for.

RESERVE RECRUIT INPUT

Mr. Lehman. Would you update for the record the tables on page 1030 of last year's hearing record showing reserve recruit input by month?

[The information follows:]

RESERVE RECRUIT IMPUT BY MONTH

	Non prior service personnel	Prior service personnel	Total
1989 (actual):			
October	17	55	72
November	8	45	53
December	6	50	56
January	16	44	60
February	30	46	76
March	38	42	80
April	36	45	81
May	55	63	118
June	168	35	203
July	32	62	94
August	17	49	66
September	15	33	48
Total	438	569	1,007
1990 (estimated):			
October	17	50	67
November	8	50	58
December	19	29	48
January	29	60	89
February	55	30	85
March	55	32	87
April	88	25	113
May	112	24	136
June	127	23	150
July	36	32	68

RESERVE RECRUIT INPUT BY MONTH—Continued

	Non prior service personnel	Prior service personnel	Total
August	31	30	61
September	31	30	61
Total	608	415	1,023
1991 (estimated):			
October	38	65	103
November	20	52	72
December	19	58	77
January	38	52	90
February	66	53	119
March	76	45	121
April	76	52	128
May	123	71	194
June	361	39	400
July	67	71	138
August	38	58	96
September	29	33	62
Total	951	649	1,600

RESEARCH ACCOMPLISHMENTS

Mr. LEHMAN. Under Research, Development, Test and Evaluation. What do you feel has been the most significant accomplishment of your research and development, test and evaluation programs this year?

Admiral GILBERT. Our biggest success last year was the cooperation that you gave us with some extra money and development and moving forward in the R&D program for marine environmental protection and the development of a research and development emphasis toward oil spills and cleanup capabilities.

Mr. LEHMAN. Would you expand on that for the record?

Admiral GILBERT. Yes, sir.

[The information follows:]

In response to a Congressional mandate related to the Exxon Valdez oil spill in Prince William Sound, the Coast Guard accelerated its marine environmental protection efforts by preparing a $4.1 million program for Fiscal Year 1990. This program addresses needs in spill response, management and spill prevention. Areas of emphasis in spill response and management include: contingency planning information systems; oil spill surveillance; tanker salvage and countermeasurers; recovery systems; chemical spill countermeasurers and monitoring; chemical countermeasures for oil spills; in-situ burning of oil; personnel safety; and support for the Oil and Hazardous Materials Spill Environmental Test Tank (OHMSETT) oil test facility. Areas of emphasis in spill prevention include: VTS port needs study; dependent surveillance systems using differential global positioning system and satellite communications; integrated navigation systems including electronic chart display information systems; performance simulation testing; expert bridge system; marine safety information system; and vessel maneuvering criteria.

The Coast Guard has begun development of its own five year marine exvironmentasl protection research and development (R&D) program. Additionally, the Coast Guard has taken the initiative to coordinate this program government-wide, with a goal of establishing a federal oil spill R&D plan. This effort has included two seminars attended by senior representatives of 9 federal agencies and representatives from industry to seek concurrence on research needs and individual agency responsibilities. The initial results have been highly positive and set the stage for an effective interagency/international program envisioned by pending legislation. These meetings continue with the purpose of refining agency plans and defining cooperative efforts.

R&D CONTRIBUTIONS

Mr. **Lehman**. Would you provide for the record some of the new or improved equipment that you have developed through your research in the past two or three years that is currently being used in your day-to-day activities.

[The information follows:]

The following equipment recently developed or improved by our research and development program is being used in day-to-day activities:

(1) The joint Search and Rescue Satellite Aided Tracking (SARSAT) project has resulted in over 1,000 lives saved worldwide.

(2) The Automated Aids Positioning System for faster, more accurate aids-to-navigation positioning and automated record keeping has shown a high degree of operational effectiveness in prototype tests aboard the Coast Guard Cutter RED OAK.

(3) The Ocean Dumping Surveillance System is currently being used to monitor New York City waste-dumping operations at sea and has the potential for use in other applications.

(4) The National Search and Rescue Manual visual detection parameter tables and sweep width tables developed in our research and development program have improved the utility and effectiveness of this publication in use worldwide.

(5) The Differential Global Positioning System (DGPS) prototype is being used to gather real time tactical maneuvering data on Coast Guard cutters versus the previous norm of three months. This system has also been used in mine-countermeasure and Maritime Defense Zone exercises.

(6) The Ports and Waterways Management Information System Spill Response Information System module is being used by Coast Guard Marine Safety Offices for contingency planning.

(7) The Voice Broadcast Automation (VOBRA) system automates standard weather and warning broadcasts from Coast Guard communications stations.

(8) Workforce Planning Tools—Adapted the Department of Defense (DOD) flow model for use in workforce planning. Developed recruiting survey instrument for inclusion in the DOD Youth Attitude survey to identify high probability recruits for the 90's.

(9) A 120V DC Daytime Photovoltaic Range Light system was completed for installation at Kings Bay, Georgia.

(10) The Search and Rescue Information System (SARMIS) tool assists search and rescue contingency planning, execution, post mission record keeping and report generation.

(11) The Graphical Analysis Archiving and Display System (GAADS), which provides a graphical display of the position of assets, is used with ship-based Aerostats for secure communications and tracking/searching for unfriendly and friendly vessels.

(12) Environmental Atlases developed for the Bering Sea, Beaufort Sea, Norton Sound, Chukchi Sea and Bristol Bay.

(13) Oil Spill Drift Model for Alaskan Beaufort Sea.

(14) Sweep Width tables for use of Merchant Vessels in searching for life rafts presented to International Maritime Organization (IMO).

(15) Engine and seal-fit modifications and air flow lift fan system on our Surface Effect Ship fleet have resulted in substantial speed improvement.

Mr. **Lehman**. Last year, it was indicated that one of your contractors (GTE) had developed an improved lamp for your short-range aids to navigation. What is the status of this project and what reductions in life-cycle costs do you believe can be realized from this new lamp?

Admiral **Gilbert**. That development continues, but there have been some disappointments because the contractor has not been able to meet all the requirements. He has met some of them and made it a lot more efficient than it was, and this would reduce some of the life-cycle costs we think by something potentially up to $300 thousand per year.

RDT&E UNOBLIGATED BALANCE CARRYOVER

Mr. Lehman. On page 145, you had a $1.8 million unobligated carryover in 1989, about twice the amount estimated. Why was this carryover balance so large?

Admiral Gilbert. We got caught up at the end of the year in the contracting morass as we sometimes do, and about half of that was in a commitment where we had committed this to a contract but we had not formally obligated it. That accounted for about half of it. The other half was a few miscellaneous things.

I don't expect to have a carryover nearly that much next year. And of course, this is dramatically better than we were a few years ago on this appropriation.

R&D FROM OTHER MILITARY SERVICES

Mr. Lehman. To what extent are you using the research conducted by the other military services to assist you in meeting your requirements?

[The information follows:]

We use research completed by other services or agencies whenever possible. Participating in joint research efforts, using the development efforts of other services, and doing technical assessments of the applicability of other service development efforts to Coast Guard missions are very effective and efficient uses of our limited R&D resources.

The following Coast Guard research projects include significant DOD R&D input: waterside security systems; shipboard tactical information systems and local area networks (LANs); personnel work force planning models; mine countermeasure (MCM); anti-submarine warfare (ASW); unmanned vehicle systems (UVS); human factors/fatigue studies; secure satellite communications; and night vision devices.

Mr. Lehman. Are you participating in any specific cooperative research programs with the Navy or any of the other military services?

[The information follows:]

Yes. The Coast Guard is working closely with the U.S. Navy in the following research areas: human factor/fatigue studies, port security surveillance systems, satellite imagery of surface currents, maneuverability of commercial vessels, cavitation of propellers on patrol boats, evaluation of antisubmarine warfare systems, mine countermeasure system component evaluations and Q-route surveys. We also conduct joint fire tests at our Fire & Safety Test Detachment in Mobile, Alabama. Additionally, we are working with the Department of Defense to determine the utility of their personnel modeling efforts to the Coast Guard and in evaluating unmanned aerial vehicles for use in CG missions.

Specifically, we have been conducting varying degrees of cooperative research with the following: Naval Sea Systems Command, Naval Underwater Systems Center, Naval Coastal Systems Center, U.S. Naval Academy, U.S. Army Corps of Engineers Waterways Engineering Station, U.S. Navy Biodynamics Laboratory, Institute of Naval Oceanography, DOD Joint Program Office for Unmanned Aerial Vehicles, Naval Submarine Medical Research Laboratory, and U.S. Army Cold Region Research and Engineering Laboratory.

In addition to DOD agencies, we have been doing cooperative work with the Canadian Coast Guard, National Oceanographic and Atmospheric Administration, National Aeronautics and Space Administration, Maritime Administration, U.S. Customs Service, Environmental Protection Agency, National Data Buoy Center, National Drug Policy Board's Contraband Working Group, and several industry and academic consortia.

NEW R&D PROGRAMS

Mr. Lehman. Are you proposing to initiate any research programs that have a total estimated cost of more than $5 million?

[The information follows:]

There are two Research and Development programs which may exceed $5 million. These are (1) the development of the next generation Coast Guard oil spill remote sensing capability, and (2) the development of equipment and systems to prevent oil from escaping from a damaged tanker, including salvaging systems and equipment, lightering equipment and installed onboard systems to contain oil in a damaged tank. Both programs are the direct result of initiatives formulated in response to the Exxon Valdez oil spill.

FUNDING PRIORITIES

Mr. LEHMAN. On page 150, why are you requesting increases of more than 50 percent for search and rescue and aids to navigation research and a decrease of nearly 50 percent in environmental protection, the activity for which Congress provided an increase in fiscal year 1990? This what you're most proud of in your accomplishments last year.

In other words, you're up 50 percent in research in search and rescue and down 50 percent in environmental protection and just a few minutes ago you said that was the one accomplishment—environmental protection research was what you were happiest about.

Admiral GILBERT. I think here we got caught up in the passing in the night in the time that the budget was generated and when you passed our appropriation last year, which added a significant amount of money to the environmental part of our R&D program, that was after this request had originated in the administration and so we had some disconnect in the timing of it.

RDT&E APPROPRIATIONS BREAKDOWN

Mr. LEHMAN. Please provide a breakdown of your fiscal year 1990 and 1991 appropriations using the format include in page 150.

[The information follows:]

DEPARTMENT OF TRANSPORTATION, COAST GUARD DIGEST OF BUDGET ACTIVITIES FOR FISCAL YEAR 1991—APPROPRIATION: RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

[Dollar amounts in thousands]

	1990 Estimate		1991 Estimate	
	Full-time permanent positions	Amount	Full-time permanent positions	Amount
Program by activities:				
1. Search and rescue		$3,822		$5,890
2. Aids to navigation		3,100		5,200
3. Marine safety		1,500		1,907
4. Marine environmental protection		4,300		2,200
5. Enforcement of laws and treaties		6,040		5,900
6. Ice operations		503		644
7. Defense readiness		1,200		1,259
Total estimate		20,465		23,000
Military	42		48	
Civilian	71		78	
Total	113		126	

Note.—Dollar amounts shown represent a programmatic distribution of funds appropriated for each year. Therefore, they may not correspond to the amounts on lines 00.01–00.07 of the Program and Financing schedule, which consist of direct obligations of both prior year and current year appropriated funds. FY1990 figures reflect a revised R&D plan emphasizing Marine Environmental Protection in response to Congressional direction and appropriations above the original request.

NIGHT VISION GOGGLES

Mr. LEHMAN. On 152, what's the status of your tests of night vision goggles and is this the same equipment that was funded by the Anti-Drug Abuse act of 1988 included in the fiscal 1991 operating expense request, page 41?

Admiral GILBERT. I'd like to refer that to Captain Thompson.

Captain THOMPSON. Those tests will be completed in November of this year, Mr. Chairman. It's a two-phase test during which we hope to determine the sweep width data for the goggles. The first part of that test has already been finished, and we'll complete the rest as I said by November of this year.

These tests are primarily designed to determine the utilization of the night vision goggles for search and rescue, but we're also using these heavily in our drug interdiction program, particularly in OPBAT and the Bahamas.

SARSAT IMPROVEMENTS

Mr. LEHMAN. You are requesting $600,000 for SARSAT improvements. In the past, we have discussed the false alarm problems of SARSAT. To what extent are false alerts still a problem with this system?

Admiral GILBERT. Yes, I've been involved with this program for almost 20 years, and this is a satellite system that receives transmission from downed aircraft or ships that sink. It's used very old technology for the transmitter beacons and has a very high false alarm rate. These are activated by a G switch on a crash, or when it goes into the water they're activated.

There has been a very high false alarm rate and, of course, we never know when it's a false alarm and when it's real. That has been a problem for us and for the Air Force in the inland regions. We spent a lot of time in trying to make them better, and there's a new generation of EPIRBs that has a significantly lower false alarm rate.

Mr. LEHMAN. What percentage is false alarms?

Admiral GILBERT. At one time, Mr. Chairman, it was over 90 percent.

Mr. LEHMAN. How much?

Admiral GILBERT. Over 90 percent, which is a problem. However, the good news is that this system in the first two or three years of operation saved over 1000 lives. It's been dramatically successful. As you know, it's a cooperative effort with us and the Soviet Union, United Kingdom, Norway, France and a number of other countries. A highly successful program, but the false alarms have been a problem. We're working very hard to try to reduce them.

Mr. LEHMAN. NASA is also conducting this research. Why don't you just let them find out what they can do and save your money?

Admiral GILBERT. We've tried that, but they would like us to do it with our money and save their money. We do have a memorandum of agreement with them where we share the cost of developments. It's a very good cooperative program with us and NASA and NOAA as well, here in the U.S. And DOD as well. I should have mentioned DOD.

GPS

Mr. **Lehman**. On page 154, you are requesting $800,000 to continue your research on GPS. Last year, you stated that GPS would not replace Omega before the year 2000 and Loran-C until well into the next century. If these systems are going to be around that long, why do you need to double your GPS?

Admiral **Gilbert**. This is research into how we can use the GPS system, and specifically we've been using it for buoy positioning, some search and rescue work, some mine countermeasure work, measuring the Q routes in ports, some ice operations. We've been looking very closely here lately at a dependent surveillance system for oil tankers; for example, in Valdez. They would retransmit the GPS information that would tell us where the tanker is. We've been working on how to use the system as it becomes available. It is available now and will continue to be available for a number of years.

DIFFERENTIAL GPS

Mr. **Lehman**. Please provide for the record an estimate of the future years costs of developing and implementing a differential global position system.

[The information follows:]

Estimated costs for the Differential Global Positioning System (DGPS) consist of further R&D for this emerging technology, implementation costs, follow-on recurring operations and maintenance, and planned product improvement costs. Budgetary estimates to implement full nationwide maritime DGPS coverage are shown below.

[In millions of dollars]

	1992	1993	1994	1995	1996	1997
AC&I	2.0	3.6	4.7	0	0	0
OE	0	1.1	4.0	4	4	4
RDT&E	.8	.6	.5	0	0	0
Total	2.8	5.3	9.2	4	4	4

INTEGRATED NAVIGATION SYSTEM AND ELECTRONIC CHART DISPLAY

Mr. **Lehman**. How much are the other organizations listed on page 155 contributing to the development of the integrated navigation system and electronic chart display information systems, and what do you see as your agency's role in developing these systems compared with that of other organizations?

[The information follows:]

The Electronic Chart Display Information System is a joint government-industry development and test program of approximately $1.5 million. The contributions of the various participants are as follows:

International Maritime Organization/International Hydrographic Organization (IMO/IHO) is developing an international standard for electronic charts;

Radio Technical Commission for Maritime Services will develop the industry-government plan for evaluating the international standard, prepare the contract statement of work for testing the international standard, and coordinate industry input;

Industry, including EXXON, Sperry Marine and Intergraf, will provide technical expertise, funding, equipment, and services of approximately $1.2 million.

U.S. Coast Guard contribution is $300,000 for the purchase of miscellaneous equipment and services not provided by other participants and for conducting test and evaluation aboard Coast Guard vessels.

The integrated navigation system effort includes the joint Coast Guard/Maritime Administration (MARAD) development of a Shipboard Piloting Expert System (SPES). MARAD's contribution to this effort is approximately $375,000 per year for three years while the Coast Guard's contribution is approximately $35,000 per year for three years.

The Coast Guard has two roles in exploring these systems: developmental and regulatory. Our developmental role is to ensure these systems meet the needs of the Coast Guard fleet and the needs of the civil marine community. Our regulatory role requires an accurate assessment of the capabilities of such systems prior to developing regulations for their use. In both roles we are interacting with other organizations to minimize duplication of effort.

BUOY SYSTEM RESEARCH

Mr. Lehman. What will be the focus of your new buoy system research and why do you require a 170 percent increase?

Admiral Gilbert. This is a systematic reassessment of buoy research and it focuses on new buoy developments. In the past, this has been primarily a paperwork exercise, but now we're starting to move into buying things. Of course, it's always a little more expensive to buy things than it is to study about it.

MARINE FIRE AND SAFETY RESEARCH

Mr. Lehman. You are requesting $485,000 for marine fire and safety research. What regulations have you issued or modified during the past year as a result of this research?

[The information follows:]

While no final rules have been issued in the last year as a result of marine fire safety research, considerable progress has been made in three ongoing rulemakings. A Notice of Proposed Rulemaking (NPRM) was published on January 30, 1989, regarding "Small Passenger Vessels". Among other revisions, the NPRM proposes revised requirements for fire tests and criteria for materials used aboard small passenger vessels. The intent is to allow the use of more readily available and technologically advanced materials such as composites and laminates.

A Final Rule on "Vapor Recovery" has been developed and is expected to be published soon. These regulations will establish national standards for the safe installation and operation of vapor recovery systems. Coast Guard fire safety research was instrumental in the timely testing of safety devices that are an integral part of the vapor recovery system. Testing is ongoing to evaluate the use of detonation arrestors in these systems.

An NPRM on fire protection for inspected vessels is in development. The proposed rules will incorporate the Safety of Life at Sea Convention (SOLAS) regulations in order to put the domestic industry on par with international requirements. In this area, Coast Guard marine fire safety research was instrumental in reaching a new international agreement on a simple test for flammability. A continuing evaluation of international test standards and test methods is necessary to ensure their validity.

We need to continue an aggressive, comprehensive marine fire research program to support national and SOLAS regulations and to facilitate use of new technology and materials while maintaining fire safety. The Marine Fire and Safety Research Program supports the marine inspection program goals of increasing the level of safety of the total marine system and achieving an international standard for vessel inspection. These goals are increasingly important as greater volume of hazardous materials are transported by sea, and a greater number of passengers embark on cruise ships. Without the ability to quickly and independently verify and evaluate industry consensus standards, international test methods and material equivalencies, United States industry will be forced to live with old technology, and the United States will be forced to accept international proposals for lack of technical arguments.

MARINE SAFETY REGULATORY RESEARCH

Mr. **Lehman**. Please also update for the record the status of the marine safety regulatory research efforts listed on page 1035 of last year's hearing record.

[The information follows:]

Research and Development (R&D) products have provided significant inputs to a wide range of regulatory actions by the Office of Marine Safety, Security, and Environmental Protection in the past year. Current efforts, and those of previous years will culminate in several rulemakings.

In April 1988, the Coast Guard issued an Advanced Notice of Proposed Rulemaking (ANPRM) pertaining to cargo vessel subdivision standards. The specified standards were a direct result of R&D studies. These studies were also a crucial element in acceptance of these standards by the International Maritime Organization (IMO) in 1989. We expect to issue the Final Rule in 1990.

An NPRM to implement the Fishing Vessel Safety Act of 1989 is currently in clearance at OMB. The proposed rules address the stability of commercial fishing vessels. We are at the contract award stage for an R&D effort to evaluate the potential for further improvements to the existing standards.

A Final Rule on "Vapor Recovery" is expected to be published soon. The imminent implementation of state requirements for vapor recovery systems necessitated Coast Guard development of safety rules for this equipment. Testing is ongoing to evaluate the use of detonation arrestors in these systems.

A NPRM addressing offshore supply vessels was published in May 1989 which included structural and stability design criteria for liftboats. R&D motion studies for liftboats were crucial to these stability proposals. Current R&D studies of liftboat leg strength will be useful in finalizing structure requirements for liftboats. Final rules will be developed during the third quarter of 1990.

Alternative intact stability criteria for Mobile Offshore Drilling Units (MODU) were developed in a Joint Industry R&D Project. Approved internationally by IMO in 1989, these criteria will be contained in an upcoming change to MODU regulations.

An R&D project pertaining to dynamic vessel motions is currently ongoing. This project will assist in an upcoming revision of the International Load Line Convention. Initial results were used at IMO in February 1990.

We are using an R&D study to evaluate design requirements for U.S. flag passenger vessels to incorporate recent amendments to the Safety of Life at Sea (SOLAS) Convention regarding damage stability. These efforts will focus on the feasibility of applying the rules to domestic small vessels which comprise nearly all of the U.S. passenger vessel fleet.

Mr. **Lehman**. I just wonder whether your marine fire and safety is cruise ship research?

Admiral **Gilbert**. Cruise ship and also our own ships. And this is down in Mobile, Alabama, at one of the premier fire and rescue safety places in the world.

Mr. **Lehman**. With all the cruise ships going out of Miami and Fort Lauderdale, sanitation and fire is what bothers me about these cruise ships.

Admiral **Gilbert**. These test programs are used to learn things about fire and to develop new regulations and disseminate information on how to prevent fires and how to fight them if they happen. It's a very effective program.

SHIP STRUCTURE COMMITTEE RESEARCH

Mr. **Lehman**. You are requesting $250,000 to support the research of the Ship Structure Committee (SSC). How has the Coast Guard used the results of the research conducted by the SSC over the past several years?

[The information follows:]

The Ship Structure Committee (SSC) is an inter-agency committee which includes the Coast Guard, United States Navy, Maritime Administration, Military Sealift Command, and the American Bureau of Shipping. The Coast Guard serves as the Executive Secretary for the Committee, and the National Academy of Sciences provides technical experts for each project. On an annual basis, the SSC develops a research plan of six or seven projects that can be accomplished within a budget of $600,000 to $700,000. The plan must be approved by all members.

The Coast Guard has derived significant value from a number of SSC projects. Currently, SSC structural reliability research is being used to evaluate proposed classification society rules and innovative structures. This research will evaluate new vessel designs that use statistical methods to define reliability performance. As part of this project, the Coast Guard recently participated in a SSC-sponsored course on probabilistic design.

The Coast Guard also uses extreme weather design load data develped by SSC to analyze innovative structures such as ships and mobile offshore drilling units. These data have been useful in developing response monitoring instrumentation that assists operators in avoiding extreme loads and damage.

SSC-funded projects have improved Coast Guard vessel inspection procedures and provided useful fatigue and in-service performance data on welding. As a result, improve welding techniques have been developed for steel, and poor performing weld details have been catalogued.

The Coast Guard is currently participating in a SSC study on composite materials. This study is intended to provide enhanced technology for the review of innovative composite designs and to promote beneficial technology transfer from the aerospace and automotive industries to the marine industry.

In 1991, the SSC will sponsor a symposium on aging tankers. The Coast Guard views this area as a significant industry problem. We expect very active industry participation.

POLLUTION RESPONSE RESEARCH

Mr. LEHMAN. On page 160, how is your $750,000 request to develop a pollution response program related to your $1.32 million requested increase under operating expenses to add contingency planners for oil and hazardous substance response?

[The information follows:]

The objective of the $750,000 for Research and Development (R&D) is to identify specific opportunities to improve Coast Guard capabilities for effective oil spill response planning, management and cleanup. These R&D efforts will focus on issues of process as well as cleanup equipment technologies.

As a separate initiative, the $1.32 million request will establish 20 contingency planners who will assist the Captains of the Port in preparing, exercising, and maintaining a realistic and effective oil spill contingency plans.

In both cases, the level of resources requested is significantly less than that which will be required to meet the responsibilities anticipated from oil spill legislation. The Coast Guard will be unable to absorb greater tasking in this program without new resources.

UNMANNED VEHICLE SYSTEMS

Mr. LEHMAN. On page 161, what type of unmanned vehicle systems are you evaluating and when will these tests be completed?

Admiral GILBERT. We're evaluating fixed and rotary aerial vehicles for their applicability to our search and rescue and law enforcement missions. It would help us go out and identify targets while away from the ship.

We're working with DOD and some other agencies in providing a Coast Guard cutter to support these tests. I don't have a date when they will be completed, but I'll provide that for the record.

[The information follows:]

The Coast Guard's participation in the Navy's unmanned vehicle test program is scheduled to end in September 1991.

MANAGEMENT INFORMATION SYSTEMS

Mr. LEHMAN. You are requesting $2.365 million to develop five or six management information systems. Have you conducted any cost benefit studies to determine which of these provide the greatest return for the funds required for implementation? If so, please provide a brief summary for the record.

[The information follows:]

The RDT&E funds requested will be used to conduct requirements analyses, identifying the scope and needs of the information system project. These projects address disparate needs; they are not all inter-related, and thus comparative cost-benefit analyses may not be particularly germane. In any event, cost-benefit analyses are more appropriately conducted prior to requesting major AC&I funds to purchase or develop the systems.

ADVANCED COMMUNICATIONS SYSTEMS RESEARCH

Mr. LEHMAN. On page 163, you say you need $400,000 to study advanced communication technologies. Hasn't the Department of Defense developed secure and other advanced communication systems?

Admiral GILBERT. They and NASA, of course, have done a tremendous amount of work, but we're not trying to do basic R&D here. We're trying to adapt what's been developed for the Coast Guard's unique needs. So this is applied research and development as opposed to basic R&D.

HUMAN RESOURCE MANAGEMENT

Mr. LEHMAN. You are requesting $750,000 to increase human research management effectiveness. Can you tell us some specific deficiencies you are trying to correct?

Admiral GILBERT. We talked earlier about how many recruits we need each year and what the retention rate on our people is and what the impact of that retention rate is when we have economic downturns or economic growths. All we can do at the present time is predict that in the fairly near future.

We think we can develop some models that will give us a lot better prediction of how our workforce will respond to economic things on the outside and what the availability of young men and women that are available to come into the Coast Guard is. There are also a host of other things that will help us manage our workforce better than we're able to do at the moment.

ALTERNATIVE VESSEL ACQUISITION

Mr. LEHMAN. On page 165, you are requesting $1 million to develop techniques to permit you to evaluate vessel acquisition alternatives. What's your next major vessel replacement program and how is this program being used to evaluate your procurement options?

Admiral GILBERT. We used some of this technology to evaluate candidate craft for our WPB procurement, and we used it again in evaluating our buoy tender replacement program. We don't have a ship procurement program at the moment on the drawing board past the WLB system, but the next time we have one, we would like to have this system in place to evaluate it.

Mr. **Lehman**. Evaluate vessel acquisition alternatives. It's not alternatives to acquisition, it's the alternatives to the different type of vessels you might need.

Admiral **Gilbert**. Correct. An alternative to decide whether we should have a SWATH vessel or all of those kind of things. And we do that at the front end of the procurement process, and these tools would help us do that.

PATROL BOAT LIFE EXPECTANCY STUDY

Mr. **Lehman**. On page 166, what is the status of your study comparing the life expectancy of the Island class and the Heritage class patrol boats?

[The information follows:]

The comparative life expectancy assessment has been completed. The assessment does identify some minor changes which can be made to improve structural life and reduce long term hull maintenance for the Island Class patrol boats. These changes are being implemented in the 12 Island Class patrol boats under contract and will be retrofitted on the 37 Island Class patrol boats currently in service.

HALON

Mr. **Lehman**. On page 167, what have you learned to date about the effectiveness of Halon substitutes for Coast Guard applications?

[The information follows:]

Preliminary Coast Guard studies have identified three substitutes for Halon fire extinguishing systems: high expansion foams, sprinkler-applied foam/agent mixes and carbon dioxide systems. All are recognized in the fire protection community for their effectiveness in fire fighting applications similar to those in the Coast Guard fleet (e.g. engine room, machinery space and pump room).

High expansion foam will be evaluated in full-scale tests planned for FY91 at the Coast Guard's Fire & Safety Test Detachment in Mobile, Alabama. These tests will address specific questions, such as appropriate application rates, foam generator placement, and methods of foam removal.

Foam/agent mixes for sprinkler application are being investigated to select those which are not corrosive, toxic, or hazardous to personnel or the environment. Agent effectiveness, application rates and method of application will be addressed in full-scale testing planned for FY92 at the Fire & Safety Test Detachment.

We intend to seek Navy and other organization involvement in this search.

Mr. **Lehman**. You can expand for the record.

Admiral **Gilbert**. I'll let Captain Thompson make a comment.

Captain **Thompson**. The only comment I was going to add, sir, is that there's a certain amount of generic work that you can do in this area of technology that doesn't necessarily apply to a specific vessel; you can use it for any type of vessel. And we want to maintain our capability in that arena.

PORTS AND WATERWAYS MIS (PAWMIS)

Mr. **Lehman**. Last year, it was indicated that the spill response part of your ports and waterways management information system (PAWMIS) was nearly complete and was to be tested at eight marine safety offices, including Long Beach. Was this system in operation during last month's oil spill and if so, what benefits resulted?

Admiral **Gilbert**. Unfortunately the timing was off by a few months. We will not have that system installed there until July of this year, and when we do have it installed, it will help the on-scene commander respond. It's too bad we didn't have it, it would have been a great test. But the oil spill happened earlier than it should have.

Mr. LEHMAN. I hope we don't have to have another one to find out.

Admiral GILBERT. I hope so.

Mr. LEHMAN. Please provide for the record the status of development of each of the components of PAWMIS, including the future test and development costs, installation costs and expected benefits.

[The information follows:]

PAWMIS was originally envisioned as being comprised of three components: Spill Response Information System (SRIS), Environmental Data Information System (EDIS), and the Port Safety and Security Information System. More recently, however, FEDSIM's final report on MSIS II indicated that it would be more cost effective and insure greater system compatibility for the remainder of PAWMIS to be developed as an integral part of the MSIS II project. As such, PAWMIS functionality will be incorporated into MISI II through a combination often applications: Incident Response, Contingency Planning, Exercise Activity, Facility Inspection, Cleanup Fund Management, Port Status, Investigations Status, Container Inspection, Facility Certification, and Port Access Control. The Coast Guard R&D Center plans to complete the detailed requirements analysis and the preliminary design for the ten application areas of PAWMIS during FY 1991. This process will include coordination with NOAA and EPA in order to take advantage of similarities in their systems development efforts.

To date, the Coast Guard has completed the initial development efforts for the original spill response component of PAWMIS. The prototype provides decision support assistance to operational commanders in contingency planning and in the response to chemical and oil spill incidents. This prototype, with minimal enhancements, will provide an interim spill management tool for field personnel. Completion and final implementation of PAWMIS is planned for FY 1993. We expect to complete software development and testing for $2.8 million, with hardware acquisition and installation requiring $1.9 million. The total PAWMIS cost is estimated at $4.7 million.

As may be evident by the titles of the ten applications that will comprise the PAWMIS functionality, PAWMIS will provide improved operational and administrative support to operational commanders as they ensure the safety and security of our ports and respond to maritime incidents.

SELECT PROJECT R&D

Mr. LEHMAN. Would you indicate for the record how much of your $550,000 fiscal year 1990 appropriation for select project research and development has been obligated and for what purposes?

[The information follows:]

As a result of the Exxon Valdez oil spill in Prince William Sound, Congress, in the FY90 Coast Guard Appropriation Bill, directed that $4.15 million of the RDT&E appropriation be spent to accelerate marine environmental protection research. $350,000 of the Select Project budget has been reprogrammed for this high priority need. Of the remaining $200,000, $68,000 has been obligated for the Cost Guard's share of the National Transportation Policy Study; $50,000 has been obligated for Great Lakes ice research; $40,000 has been obligated for general support of the National Academy of Science's Marine Board studies; and $35,000 has been obligated for a new Marine Board initiative, Health of the Skill and Technology Base for Marine Activities and Port Planning, Engineering and Operations.

Mr. LEHMAN. Why do you need $1.25 million increase for the select project research and development on page 169?

Admiral GILBERT. These are small projects where people come to us with good ideas, and they just need some money to implement them. This is indicative of our revised approach to R&D to try to revitalize it and try to get more out of it.

We think there are quite a few people out there in the Coast Guard that have good ideas, and if they just had a little bit of money to develop the ideas, we could reap some substantial benefit. So we'd like to expand that program.

Mr. LEHMAN. Do you have one example?

Admiral GILBERT. Yes. It started a few years ago as a select project and turned out to be particularly good. And this was to put a little vane in advance of the propeller on small boats to make the propeller more efficient, about 10 or 15 percent more efficient. And, of course, throughout the Coast Guard that makes a tremendous savings in fuel. That's the kind of thing. Somebody had this idea, he needed some help to get it off the ground, and that's the kind of thing that this would go after.

Mr. LEHMAN. Somebody could patent this?

Admiral GILBERT. As a matter of fact, that's page 2 as Paul Harvey says. He did patent it, and he did get out of the Coast Guard, and he's now marketing it commercially. But we still are benefitting from it.

Mr. LEHMAN. You succeeded too much.

Admiral GILBERT. Yes, sir.

Mr. LEHMAN. I think I read something about that, new propellers.

Admiral GILBERT. It has a lot of advantages.

RDT&E REDUCTION IN SUPPORT COSTS

Mr. LEHMAN. You are proposing a $50,000 reduction for program support costs. What does this reduction involve?

[The information follows:]

This reduction reflects decreases in planned computer equipment expenditures. A larger budget was needed in FY 1990 to replace/upgrade existing computer systems.

MAJOR IN-HOUSE RESEARCH PROJECTS

Mr. LEHMAN. Would you list for the record your major in-house research projects?

[The information follows:]

Major in-house research and development projects in FY 1990 are:

Studies of suitability of new or existing platforms for performing Coast Guard missions;

Full scale test and evaluations on existing craft;

Shark-Cat (Great Lakes heavy weather utility boat) tactical maneuvering data measurements;

Subsystems development, such as hull and scantling stress analysis, of selected craft and evaluation of rigid hull inflatable.

Hazardous chemical analysis for pollution response and law enforcement, including test and evaluation of portable analytical instrumentation, quality assurance/quality control testing of drug laboratories, and deployment of the R&D Center developed and housed Mobile Lab for coast Guard in-house pollution abatement;

Marine fire and safety research testing;

Automated aid-to-navigation positioning system development;

Differential Global Positioning system test and evaluation for civil marine radio navigation;

Aid-to-navigation signal effectiveness device test and evaluation;

Search and rescue equipment test and evaluation;

Comprehensive law enforcement enhancement research;

Advanced communications technology development and evaluation;

Satellite tracked mini buoys development.

GROTON RESEARCH AND DEVELOPMENT CENTER

Mr. **Lehman**. Would you also provide for the record the annual operating costs for your Groton facility and your fire and safety test detachment?

[The information follows:]

Coast Guard Research and Development Center (Groton Facility)

Operations (lease, utilities, computer support, etc.)	$1,100,000
Personnel	5,000,000
Total	6,100,000

Note.—These figures include salary and overhead for the Marine Fire and Safety Research Division of the Marine Safety Laboratory, located at the Research and Development Center. This group conducts fire research and manages the Fire and Safety Test Detachment.

Fire and safety test detachment (Mobile, Alabama)

Operations (lease, utilities, computer support, etc.)	$200,000
Personnel	250,000
Total	450,000

RDT&E SUPPORT OF BOARDS AND COMMITTEES

Mr. **Lehman**. Would you indicate for the record the boards and committees you help support?

[The information follows:]

The Research and Development Program assists in supporting the following:

Board/Committee	*FY 1990 Funding*
Ship Structure Committee	$196,000
SARSAT Program Steering Group and COSPAS/SARSAT International Steering Committee	50,000
National Research Council (NRC) Marine Board	40,000
Advisory Board to Dartmouth College, Thayer School of Engineering Ice Research Laboratory	25,000
University College London Consortiums:	
Fatigue of Offshore Structures	15,000
Structural Integrity Monitoring	15,000
University of Michigan Offshore Engineering Consortium	15,000
MIT Marine Industry Collegium Program	1,500
Total	357,500

Support through membership only is provided to the following:

National Ocean Pollution Policy Board.

Society of Naval Architect and Marine Engineers (SNAME) Human Factors Panel.

Department of Defense Technical Advisory Group on Human Factors.

International Association of Lighthouse Authorities.

National Transportation Research Board.

Interagency Committee on Search and Rescue.

National Association of Search and Rescue.

Interagency Joint Working Group (SARSAT).

Oversight Committee on Radiodetermination Planning and Policy.

Department of Transportation Research and Development Council.

Office of National Drug Control Policy (ONDCP) Drug Science and Technology Committee.

U.S./Canada "Volpe-Jamieson" Cooperative Research Program.

U.S./Japan Cooperative Program in Natural Resources.

RDT&E PERSONNEL COSTS

Mr. **Lehman**. You are requesting a $700,000 increase for personnel and related costs. On page 149, you indicate that this includes

13 additional positions. Why do you need about a 12 percent increase in R&D staff?

Admiral **Gilbert**. I would like Captain Thompson to answer that.

Captain **Thompson**. This actually is intended to add back some R&D personnel reductions that were taken in the fiscal year 1989 budget. We had 10 military and 9 civilian reduced in anticipation of moving some of the functions to OE, an objective to reduce the personnel overhead in R&D. That has not fully materialized. We have retained the majority of those functions in the R&D appropriation, and we now need to restore those personnel.

POLLUTION FUND

Mr. **Lehman**. No funds are requested for your pollution fund authorized by section 311 of the Federal Water Pollution Control Act. Would you update for the record the information on receivables and collectibles that was included on page 1041 of last year's hearing record?

[The information follows:]

Pollution fund receivables and collectibles (as of September 30, 1989)

Collectibles	$11,082,040
Allowance for uncollectibles	8,206,000
Receivables	19,288,040
Change in receivables	–3,213,786

RECEIPTS AND OBLIGATIONS

Mr. **Lehman**. Would you also provide your receipts and obligations to date during fiscal year 1990 under this fund?

[The information follows:]

Pollution fund—FY 1990 receipts and obligations (as of February 28, 1990)

Fiscal year 1990 receipts	$32,794,722
Fiscal year 1990 obligations	14,072,919

Mr. **Lehman**. Please also provide separate breakdowns of the receipts and obligations related to the Exxon Valdez and American Trader spills.

[The information follows:]

POLLUTION FUND BREAKOUT

[In millions of dollars as of Feb. 28, 1990]

	Receipts		Obligations	
	Cumulative	FY90 only	Cumulative	FY90 only
Exxon Valdez spill:				
Cleanup activity	44.2	25.3	25.8	6.0
Damage assessment	15.0	6.5	13.8	5.6
American Trader			1.2	1.2

For the Exxon Valdez spill, cleanup receipts reflect collections for the cost incurred by involved federal agencies, excluding the Coast Guard. Obligations reflect the related incremental costs which will be reimbursed from the Pollution Fund to these agencies. The Coast Guard receipts from EXXON are reflected in the Coast Guard Operating Expenses Appropriation as required by the Supplemental Appropriation Act of 1989 (P.L. 101–45).

NATURAL RESOURCE DAMAGE ASSESSMENT STUDY

Mr. LEHMAN. What is the status of the natural resource damage assessment study being conducted by the State of Alaska and three other Federal agencies and what preliminary findings can you share?

Admiral GILBERT. We may be able to provide something for the record. We're not involved directly in the study. The only involvement we have in this is that the pollution fund is being used as a bookkeeping mechanism to fund the study. The study is by the four trustees: the Departments of the Interior, Agriculture, Commerce, and the State of Alaska.

Mr. LEHMAN. Are you planning to allocate or have you allocated any money from the pollution fund for fiscal years 1990 and 1991?

Admiral GILBERT. There's been a total of $15 million, $8.5 million in 1989 and $6.5 million in 1990. As I mentioned earlier, the pollution fund in this case is working as a banker for this and not direct Coast Guard involvement.

Mr. LEHMAN. Would you repeat that again, Admiral?

Admiral GILBERT. Fifteen million—$8.5 million in 1989 and $6.5 million is projected for 1990.

Mr. LEHMAN. Is that for study?

Admiral GILBERT. This is money that came from Exxon. It's money to evaluate the impact of the spill on the shoreline and industry and fishing and all of those kinds of things.

Mr. LEHMAN. That sounds like a lot of money just to find out what seems to be fairly obvious, that it was bad.

Admiral GILBERT. Exxon has provided this money. But it's still a lot of money.

Mr. LEHMAN. It's still money.

Admiral GILBERT. As they say, pretty soon it adds up to real money. And this is real money.

OFFSHORE OIL POLLUTION COMPENSATION FUND

Mr. LEHMAN. No funds are requested for your offshore oil pollution compensation fund. Have you had to clean up any outer continental shelf spills lately?

Admiral GILBERT. Not since it was established in 1979, no.

Mr. LEHMAN. What is your current unobligated balance and do you believe you have sufficient obligational authority under this program to meet any contingencies in fiscal years 1990 and 1991?

[The information follows:]

Our unobligated balance in the Offshore Pollution Compensation Fund, as of March 21, 1990, is $381,000. Obligation authority is considered sufficient to meet contingencies based upon the borrowing authority provision.

DEEPWATER PORTS LIABILITY FUND

Mr. LEHMAN. You are not requesting any appropriation for the deepwater ports liability fund. Have you obligated any money for oil cleanup costs from this fund?

Admiral GILBERT. No. There have been no obligations since 1981.

Mr. LEHMAN. What is your current unobligated balance in this fund?

[The information follows:]

Our current unobligated balance in the Deepwater Port Liability Fund, as of March 21, 1990, is $50,000.

BOATING SAFETY

Mr. LEHMAN. You are requesting $30 million for your boating safety program. What data do you have to indicate the impact this program is having on recreational boating accidents and fatalities?

Admiral GILBERT. Mr. Chairman, this is another real success story. Boating fatalities are at an all time low. In 1988, they were down to 5.5 fatalities per 100,000 boaters. Just as recently as 1987, that number was 6.1. We don't have final returns from 1989, but it looks like it will be another record low year. So we're very happy with that, and of course the states have played a major role in boating safety development. This has been a very successful program.

STATE FUNDING FOR BOATING SAFETY

Mr. LEHMAN. The purpose was to get the states more involved. To what extent have the states increased their state funding?

Admiral GILBERT. There has been a constant increase in state funding, and I mentioned earlier the National Association of State Boating Law Administrators was very active with us. State funding increased from $66.6 million in 1983 to $121.8 million in 1989. And between fiscal 1983 and 1989, the states have provided over 80 percent of the total money to administer this program.

Mr. LEHMAN. It leverages very well.

Admiral GILBERT. It does. And it's been a very successful program.

Mr. LEHMAN. Please provide the total state funding allocations for this program for each of the past five fiscal years.

[The information follows:]

Allocations of Federal funds to the states from the Boat Safety Account for the past 5 fiscal years were:

1985	$13,100,000
1986	27,625,323
1987	28,500,000
1988	19,947,500
1989	27,900,000

STATE MATCH

Mr. LEHMAN. Please also update the data on state match included on pages 1043 through 1046 of last year's hearing record.

[The information follows:]

Funds are used for the cost of personnel, equipment and administration in support of state law enforcement, education, search and rescue, accident investigation, boat numbering and titling activities, and for acquiring, constructing and repairing public access sites. Funds are also used for state facilities to house law enforcement and search and rescue boats and equipment, provide classrooms and education equipment, establish navigation aids, and other program needs. The following table provides Federal/state matching amounts for fiscal year 1989.

RECREATIONAL BOATING SAFETY PROGRAM BUDGET
FY89 FEDERAL/STATE MATCHING AMOUNTS FEDERAL ALLOCATION $24.9M

Alabama:		
Federal	$ 524,831 -	17 %
State	2,561,835 -	83 %
	3,086,666	
Arizona:		
Federal	$ 232,206 -	13 %
State	1,610,124 -	87 %
	1,842,330	
Arkansas:		
Federal	$ 366,405 -	47 %
State	412,486 -	53 %
	778,891	
California:		
Federal	$1,224,235 -	12 %
State	9,316,904 -	88 %
	10,541,139	
Colorado:		
Federal	$ 244,677 -	50 %
State	244,677 -	50 %
	489,354	
Florida		
Federal	$ 2,008,500 -	10 %
State	18,475,786 -	90 %
	20,484,286	
Georgia:		
Federal	$ 444,630 -	16 %
State	2,262,877 -	84 %
	2,707,507	
Hawaii:		
Federal	$ 217,400 -	11 %
State	1,730,924 -	89 %
	1,948,324	
Idaho:		
Federal	$ 282,263 -	31 %
State	620,375 -	69 %
	902,638	
Illinois:		
Federal	$ 486,148 -	47 %
State	546,972 -	53 %
	1,033,120	

Connecticut:

Federal	$ 340,759 -	22 %
State	1,193,599 -	78 %
	1,534,358	

Delaware:

Federal	$ 232,268 -	28 %
State	605,855 -	72 %
	838,123	

District of Columbia:

Federal	$ 138,086 -	12 %
State	982,748 -	88 %
	1,120,834	

Kentucky:

Federal	$ 421,131 -	22 %
State	1,537,581 -	78 %
	1,958,712	

Louisiana:

Federal	$ 598,647 -	29 %
State	1,435,919 -	71 %
	1,034,566	

Maine:

Federal	$ 329,456 -	44 %
State	413,586 -	56 %
	743,042	

Maryland:

Federal	$ 1,363,888 -	10 %
State	12,188,773 -	90 %
	13,552,661	

Massachusetts:

Federal	$ 812,881 -	27 %
State	2,178,007 -	73 %
	2,990,888	

Michigan:

Federal	$ 1,166,025 -	25 %
State	3,478,332 -	75 %
	4,644,357	

Indiana:

Federal	$ 466,303 -	26 %
State	1,314,369 -	74 %
	1,780,672	

Iowa:

Federal	$ 602,612 -	33 %
State	1,209,901 -	67 %
	1,812,513	

Kansas:

Federal	$ 178,832 -	50 %
State	178,833 -	50 %
	357,665	

Nevada:

Federal	$ 255,242 -	11 %
State	1,974,785 -	89 %
	2,230,027	

New Hampshire:

Federal	$ 208,769 -	16 %
State	1,071,123 -	84 %
	1,279,892	

New Jersey:

Federal	$ 282,090 -	4 %
State	6,982,642 -	96 %
	7,264,732	

New Mexico:

Federal	$ 139,043 -	19 %
State	580,486 -	81 %
	719,529	

New York:

Federal	$ 952,780 -	15 %
State	5,594,338 -	85 %
	6,547,118	

North Carolina:

Federal	$ 101,629 -	6 %
State	1,629,343 -	94 %
	1,730,972	

Minnesota:
Federal $ 1,354,860 - 32 %
State 2,835,667 - 68 %
4,190,527

Mississippi:
Federal $ 923,706 - 10 %
State 8,044,663 - 90 %
8,968,369

Missouri:
Federal $ 682,800 - 21 %
State 2,571,814 - 79 %
3,254,614

Montana:
Federal $ 239,403 - 58 %
State 173,889 - 42 %
413,292

Nebraska:
Federal $ 113,239 - 50 %
State 113,239 - 50 %
226,478

Rhode Island:
Federal $ 344,028 - 44 %
State 442,139 - 56 %
786,167

South Carolina:
Federal $ 382,540 - 16 %
State 1,983,248 - 84 %
2,365,788

South Dakota:
Federal $ 44,384 - 50 %
State 44,385 - 50 %
88,769

Tennessee:
Federal $ 469,079 - 30 %
State 1,116,459 - 70 %
1,585,538

North Dakota:
Federal $ 214,950 - 50 %
State 214,950 - 50 %
429,900

Ohio:
Federal $ 789,537 - 14 %
State 4,689,828 - 86 %
5,479,365

Oklahoma:
Federal $ 450,570 - 25 %
State 1,348,828 - 75 %
1,799,398

Oregon:
Federal $ 310,918 - 11 %
State 2,594,762 - 89 %
2,905,680

Pennsylvania:
Federal $ 630,276 - 17 %
State 2,983,089 - 83 %
3,613,365

Wisconsin:
Federal $ 764,194 - 27%
State 2,026,200 - 73 %
2,790,394

Wyoming:
Federal $ 120,000 - 43 %
State 160,328 - 57 %
280,328

Puerto Rico:
Federal $ 214,276 - 46 %
State 252,150 - 54 %
466,426

American Samoa:
Federal $ 248,237 - 100%
State N/A - 0%

Texas:		
Federal	$ 1,140,423	- 20 %
State	4,636,293	- 80 %
	5,776,716	
Utah:		
Federal	$ 120,199	- 10 %
State	1,123,188	- 90 %
	1,243,387	
Vermont:		
Federal	$ 186,453	- 50 %
State	186,453	- 50 %
	372,906	
Virginia:		
Federal	$ 110,000	- 9 %
State	1,146,456	- 91 %
	1,256,456	
Washington:		
Federal	$ 25,752	- 5 %
State	499,192	- 95 %
	524,944	
West Virginia:		
Federal	$ 213,945	- 50 %
State	213,946	- 50 %
	427,891	

Northern Marianas:		
Federal	$ 0	
State	0	
Virgin Islands:		
Federal	$ 217,832	- 66 %
State	110,665	- 34 %
	328,497	

Total Federal:	$ 24,933,337	- 17 %
Total State:	$121,845,011	- 83 %
GRAND TOTAL	$146,778,348	

BOATING FACILITIES

Mr. LEHMAN. To what extent are these Federal grants being used for the improvement of recreational boating facilities?

Admiral GILBERT. This is an area in which there has been some controversy. We have not wanted to spend a lot of this money for facilities because we want the emphasis to be on boating safety and education. So it's averaged about 6 to 7 percent a year, and we're trying, of course, to keep that number fairly low.

STATE PARTICIPATION

Mr. LEHMAN. Last year, it was indicated that Alaska had not applied for participation. Is this still the situation?

[The information follows:]

Yes, Alaska has not applied. Alaska does not have an approved boating safety program which is a prerequisite for participation. A boating bill has been introduced in the current session of the Alaska State legislature. A similar bill failed last year.

AQUATIC RESOURCES TRUST FUND

Mr. LEHMAN. With a total balance available for appropriation in the Aquatic Resources Trust Fund of $708 million, why aren't you proposing legislation to permit a larger share of the Trust Fund to be used to support Coast Guard operating expenses?

[The informtion follows:]

The fund is shared by the Coast Guard and the Department of the Interior; thus proposals to change the funding mix would necessarily involve both agencies. Funding shares should be reconsidered with reauthorization. The results of the required joint Department of the Interior and Department of Transportation survey on recreational boat fuel use could result in a larger fund. The authorized amount for the Coast Guard and the states to share increased from $60 million to $70 million for fiscal years 1991, 1992 and 1993.

Mr. LEHMAN. And we also have some additional questions on AC&I for the record, and we also have some questions from Congresswoman Boggs from Louisiana for the record.

MAJOR SYSTEMS ACQUISITIONS: GAO INVESTIGATION

Mr. LEHMAN. Admiral, on December 5, 1989, this Committee requested the GAO to conduct an investigation into the adequacy of the Coast Guard's personnel management for major systems acquisitions. This letter requested the GAO to obtain information on the Coast Guard's adherence to cost and schedule targets for all major acquisitions during the last decade. Three months after this request, the Coast Guard has still not made such information available to the GAO. Why not? Doesn't the Coast Guard have data readily available on the cost and schedule status of major projects?

[The information follows:]

The Coast Guard was first contacted with a request for this information in mid-February 1990. The data are available, but compiling it requires contacting project managers on staffs throughout Headquarters, and in some cases involves researching files 15 years old. Obtaining this information and tabulating it in the format requested by GAO continues to be a top priority; it should be delivered in the near future.

Mr. LEHMAN. The GAO was reportedly told by Coast Guard officials that the information would be delayed due to other more pressing demands on the Coast Guard's time. Would you elaborate on what is more pressing than providing information requested by the Appropriations Committee?

[The information follows:]

The GAO was told that their original request for a 4-day turnaround would not be possible, due to the number of individual project managers that would have to be contacted, and the time span covered by some of the older projects whose files would have to be researched. Providing this information to the GAO, who did not ask for it until mid-February, was and continues to be a top priority. The individuals involved in retrieving and compiling the information are necessarily involved in other work as well, including preparations and follow-up actions associated with this hearing.

Mr. LEHMAN. In order to prevent further delays, please submit that information for the record.

[The information follows:]

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION
VESSELS
DOLLARS IN THOUSANDS

PROJECT TITLE	FUNDING INITIALLY APPROP. IN FY	FUNDING HISTORY		INITIAL COMPLETION DATES	CURRENT COMPLETION DATES	INITIAL COST ESTIMATE	CURRENT COST ESTIMATE	ANTICIPATED ACCOMPLISHMENTS IN FY 1990	COMMENTS
378-FOOT HIGH ENDURANCE CUTTER FLEET RENOVATION AND MODERNIZATION (FRAM)	FY 1982	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	740,178 78,200 7,800 --------- 826,178	MAR 1990	DEC 1992	594,000	849,000	DELIVER DALLAS AND MUNRO.	FIVE VESSELS DELIVERED AND SEVEN TO BE RENOVATED. REPROGRAMMING REQUEST BEING PREPARED. THRU FY 1990 FUNDING INCLUDES REPROGRAMMINGS & NAVY FUNDING.
378-FOOT HIGH ENDURANCE CUTTER WEAPONS SYSTEMS MODERNIZATION	FY 1989	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	13,877 3,200 23,160 --------- 40,237	SEP 1992	NOV 1993	36,300	40,237	COMPLETE INSTALLATION ON HAMILTON, SHERMAN AND MUNRO.	THREE FY 1991 INSTALLATIONS DEFERRED TO FY 1993.
270-FOOT MEDIUM ENDURANCE CUTTER (WMEC) 'B' CLASS ACQUISITION	FY 1979	THROUGH FY 1989 FY 1991 REQUEST	553,800 0 --------- 553,800	FEB 1987	JUL 1990	553,800	553,800	DELIVER LAST SHIP (#13).	DATA PROVIDED FOR NINE B-CLASS.
210-FOOT MEDIUM ENDURANCE CUTTER MAJOR MAINTENANCE AVAILABILITY(MMA)	FY 1983	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	167,120 32,500 150,500 --------- 350,120	MAR 1991	NOV 1996	232,055	350,120	DELIVER 2ND B CLASS AND 4TH A CLASS.	OUTYEAR ESTIMATE UNDERGOING REVISION.
180-FOOT SEAGOING BUOY TENDER SERVICE LIFE EXTENSION PROJECT (SLEP)	FY 1981	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	101,850 20,000 0 --------- 121,850	AUG 1991	MAY 1992	155,944 (A)	121,850	DELIVER HULLS 5&6. START HULLS 7&8.	(A) FOR FOURTEEN HULLS. CURRENT PLAN IS TO SLEP 9 HULLS.
110-FOOT ISLAND CLASS CUTTER (WPB) ACQUISITION	FY 1982	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	337,300 0 56,000 --------- 393,300	JUN 1987 16 BOATS	JAN 1992 49 BOATS	112,000 16 BOATS	393,300 49 BOATS	START CONSTRUCTION ON HULLS 38 THRU 49.	INITIAL ISLAND CLASS ACQUISITION WAS ANTICPATED TO BE 16 BOATS. FUNDING HAS BEEN PROVIDED OVER TIME TO ALLOW THE PROCUREMENT OF 49 BOATS.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION
VESSELS
DOLLARS IN THOUSANDS

PROJECT TITLE	FUNDING INITIALLY APPROP. IN FY	FUNDING HISTORY		INITIAL COMPLETION DATES	CURRENT COMPLETION DATES	INITIAL COST ESTIMATE	CURRENT COST ESTIMATE	ANTICIPATED ACCOMPLISHMENTS IN FY 1990	COMMENTS
120-FOOT HERITAGE CLASS CUTTER (WPB) PROTOTYPE	FY 1986	THROUGH FY 1986 FY 1991 REQUEST FY92-FY95 EST.	9.000 5.500 500 -------- 15,000	NOV 1991	AUG 1991	18.000	15.000	START CONSTRUCTION OF PROTOTYPE.	ORIGINAL PLAN WAS FOR TWO PROTOTYPES. CURRENT ESTIMATE IS FOR ONE PROTOTYPE.
MOTOR LIFEBOAT (MLB) REPLACEMENT	FY 1988	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	7.783 1.000 64.000 -------- 72,783	FY 1997	FY 1997	90.000	90.000	TEST AND EVALUATION WILL BEGIN IN JULY 1990.	
SEAGOING BUOY TENDER (WLB) REPLACEMENT	FY 1989	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	6.390 2.200 220.130 -------- 228,720	FY 2001	FY 2004	1.065.000	UNDER DEV	ISSUE REUEST FOR PROPOSAL.	OUTYEAR ESTIMATE UNDERGOING REVISION.
COASTAL BUOY (WLM) REPLACEMENT	FY 1989	THROUGH FY 1989 FY 1991 REQUEST EST. THRU 1995	0 3.100 88.880 -------- 91,980	FY 1999	FY 2000	211.000	UNDER DEV	ISSUE REQUEST FOR PROPOSAL.	OUTYEAR ESTIMATE UNDERGOING REVISION. WLM PROJECT PAIRED WITH WLB PROJECT IN FY 1989; ALL PROJECT FUNDS THRU FY 1989 REFLECTED IN WLB ABOVE.
POLAR ICEBREAKER #1 REPLACEMENT (DOD FUNDED)	FY 1989	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	3.500 0 12.600 -------- 16,100	FEB 1993	MAY 1995	329.000	329.000	ISSUE DRAFT REQUEST FOR PROPOSAL. ESTABLISH JOINTLY STAFFED PROGRAM OFFICE WITHIN NAVSEA.	$329.000 ($324.800 AFTER G-R-H REDUCTION) APPROPRIATED TO DOD SHIPBUILDING NAVY CONVERSION IN FY 1990 TO PROCURE A POLAR ICEBREAKER FOR THE COAST GUARD. $12.600 FOR ITEMS NOT ALLOWED TO BE FUNDED BY SHIPBUILDING AND CONVERSION. NAVY APPROPRIATION.
POLAR ICEBREAKER #2 REPLACEMENT (COAST GUARD)		THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	0 0 303.600 -------- 303.600	FEB 1994	MAY 1996	305.500	313.200		

ACQUISITION. CONSTRUCTION AND IMPROVEMENTS APPROPRIATION
AIRCRAFT
DOLLARS IN THOUSANDS

PROJECT TITLE	FUNDING INITIALLY APPROP. IN FY	FUNDING HISTORY		INITIAL COMPLETION DATES	CURRENT COMPLETION DATES	INITIAL COST ESTIMATE	CURRENT COST ESTIMATE	ANTICIPATED ACCOMPLISHMENTS IN FY 1990	COMMENTS
SEA-BASED AEROSTAT ACQUISITION	FY 1985	THROUGH FY 1988 FY 1991 REQUEST FY92-FY95 EST.	58.300 0 0 -------- 58.300	MAY 1989	AUG 1989	26.055	58.300	RECOMPETE OPERATIONS AND MAINTENANCE CONTRACTS.	ALL 5 SYSTEMS DELIVERED AND OPERATIONAL.
APS 125 RADAR SYSTEM ACQUISITION	FY 1989	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	41.925 0 0 -------- 41.925	SEP 1991	SEP 1991	41.925	41.925	GFE DELIVERED TO CONTRACTOR MAR 1990.	
TALON SYSTEM ACQUISITION	FY 1984	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	10.169 9.800 6.300 -------- 26.269	FY 1993	FY 1993	26.269	26.269	AWARD FULL PRODUCTION.	
HH-60 MRR HELICOPTER ACQUISITION	FY 1986	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	500.704 34.300 8.600 -------- 543.604	FY 1993	FY 1993	541.704	543.604	CONTRACT FOR LAST 8 OF 32 AIRCRAFT.	OUTYEAR ESTIMATE UNDERGOING REVISION.
HH-65 SRR HELICOPTER	FY 1979	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	444.500 7.700 10.200 -------- 462.400	FY 1983	FY 1993	353.800	462.400	SPARE PARTS PROCUREMENTS.	OUTYEAR ESTIMATE UNDERGOING REVISION.
HH-65 SRR AIRCRAFT LTS-101 ENGINE REPLACEMENT	FY 1989	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	10.500 6.500 99.400 -------- 116.400	N/A	N/A	116.400	116.400	WORK ON PROOF OF CONCEPT.	IN PROOF OF CONCEPT PHASE - NO DECISION TO REEGINE ENTIRE FLEET HAS BEEN MADE.

ACQUISITION, CONSTRUCTION AND IMPROVEMENTS APPROPRIATION
COMMAND, CONTROL AND COMMUNICATIONS
DOLLARS IN THOUSANDS

PROJECT TITLE	FUNDING INITIALLY APPROP. IN FY	FUNDING HISTORY		INITIAL COMPLETION DATES	CURRENT COMPLETION DATES	INITIAL COST ESTIMATE	CURRENT COST ESTIMATE	ANTICIPATED ACCOMPLISHMENT IN FY 1990	COMMENTS
AIR INTERDICTION SENSOR SYSTEMS	FY 1986	THROUGH FY 1987 FY 1991 REQUEST FY92 -FY95 EST.	49,760 0 0 ------- 49,760	FY 1989	FY 1990	52,700	49,760		PROJECT COMPLETE.
HC-130 FLAR	FY 1982	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	112,100 0 1,800 -------- 113,900	FY 1989	DEC 1993	60,558	113,900	COMPLETE THRU #13 OF 31 AIRCRAFT INSTALLED.	CG AC&I/NAVY APN-7/CDAA-NAVY FUNDS SOURCES.
SHIPBOARD TACTICAL COMPUTER	FY 1989	THROUGH FY 1990 FY 1991 REQUEST FY92-FY95 EST.	1,500 1,800 36,200 -------- 39,500	SEP 1995	SEP 1995	36,200	20,400	SHORESIDE MOCKUP. SHIPBOARD PROTOTYPE INSTALLATION.	COMBINED WHEC PLOTTING TABLE PROJECT WITH TACDIS PROJECT, AND RENAMED.

DEFENSE SYSTEMS MANAGEMENT COLLEGE

Mr. LEHMAN. The Coast Guard has recently announced that acquisition project managers will attend the Defense Systems Management College's (DSMC) 20-week course in acquisition of major systems. However, it would seem that Coast Guard personnel might receive lower priority than DOD or contractor personnel in filling available slots for that course. This would be even more likely if the DOD is paying for Coast Guard personnel to attend the course without reimbursement.

Who will pay the costs for Coast Guard personnel to attend that course? How many positions are available in that course and how many applications are received? How many Coast Guard staff have attended that course over the past two years, and how many applied? What is the composition of the most recent class (DOD staff, contractor, Coast Guard, other)?

[The information follows:]

DOD pays the tuition costs associated with Coast Guard personnel attending DSMC. Any travel or per diem costs are paid by the Coast Guard.

Typically DSMC offers three Project Manager Courses (PMC) annually. Each class has spaces for 210 students. Most of these spaces are reserved for DOD services per se. Approximately nine spaces are reserved for DOD agencies and other Federal agencies, including Coast Guard. During the past two years the Coast Guard has been allocated at least one quota per course. Although classes have 210 spaces the Coast Guard only competes for nine of these. For the Spring 1990 PMC there were only three applicants for these nine spaces. One applicant was Coast Guard.

During the past two years, seven Coast Guard personnel have attended the PMC course. This is a 100% selection rate. Quotas for the PMC course currently in progress were allocated as follows: 59 Army, 59 Navy, 59 Air Force, 21 Industry, 9 DOD agencies and Federal Agencies (1 of these to Coast Guard) and 3 "other".

AC&I FUNDING OF SES LEVEL PERSONNEL

Mr. LEHMAN. How many civilian positions do you have funded with AC&I funds at the Senior Executive Service [SES) level? Describe each of these positions and state their location.

[The information follows:]

The Coast Guard has no SES positions funded with AC&I funds.

SES POSITIONS AT COAST GUARD HEADQUARTERS

Mr. LEHMAN. How many civilian SES positions does the Coast Guard have at Coast Guard headquarters? Describe each of those positions, exclusive of the positions mentioned in the above question.

[The information follows:]

The following six SES positions are located at Coast Guard Headquarters: Chief, Office of Civil Rights; Deputy Chief Counsel; Deputy Chief, Office of Health Services; Chief, Procurement Management Division-Competition Advocate; Chief, Civilian Personnel Division; Economic Advisor, Office of Marine Safety, Security, and Environmental Protection.

AC&I CIVILIAN POSITIONS

Mr. LEHMAN. Last year, you stated that "in some cases, military billets actually provide more continuity than do civilian positions" (p. 969). This seems counterintuitive, since military personnel are rotated out of their AC&I position after only a few years as a matter of policy. Would you elaborate on the statement made last year, explain why that is the case, and provide pertinent statistics?

[The information follows:]

The AC&I civilian positions associated with our major acquisitions do experience significant turnover. Although the exact cause is not certain, it appears that civilians, being eligible for promotion after one year in grade, would naturally pursue promotion opportunities as soon as possible. Other contributing factors could be the relative small size and short life span of Coast Guard contracts when compared with larger, longer term DOD acquisitions, which offer more stability. In support of this argument, we have had some engineering billets remain vacant for years without receiving applicant interest.

Unfortunately, we have not maintained relevant statistics about civilian turnover.

FRAM DELIVERY SCHEDULE

Mr. LEHMAN. Please update for the record the FRAM delivery schedule shown on page 780 of last year's hearing record.

[The following is an updated FRAM delivery schedule:]

378-FOOT CUTTER DELIVERY SCHEDULES

	ORIGINAL CONTRACT DELIVERY DATE	CURRENT CONTRACT DELIVERY DATE	ESTIMATED COMMISSIONING	ESTIMATED READY FOR OPS	PERCENT COMPLETE
HAMILTON**	May-87	15-Nov-88	Dec-88	Jun-89	100%
DALLAS**	Jan-88	4-Dec-89	Jan-90	Jul-90	100%
CHASE	Sep-88	Dec-90	Jan-91	Jul-91	30%
GALLATIN	Apr-89	Aug-91	Sep-91	Mar-92	9%
MELLON**	Apr-87	7-Feb-89	Mar-89	Sep-89	100%
SHERMAN**	Sep-87	19-Jun-89	Jul-89	Feb-90	100%
MUNRO**	Feb-88	5-Oct-89	Nov-89	May-90	100%
BOUTWELL	Dec-88	Mar-91	Apr-91	Oct-91	68%
RUSH	Jul-88	May-91	Jun-91	Dec-91	37%
MORGENTHAU	May-89	Aug-91	Sep-91	Mar-92	11%
JARVIS	Oct-89	Oct-92	Nov-92	May-93	0%
MIDGETT	Mar-90	Dec-92	Jan-93	Jul-93	0%

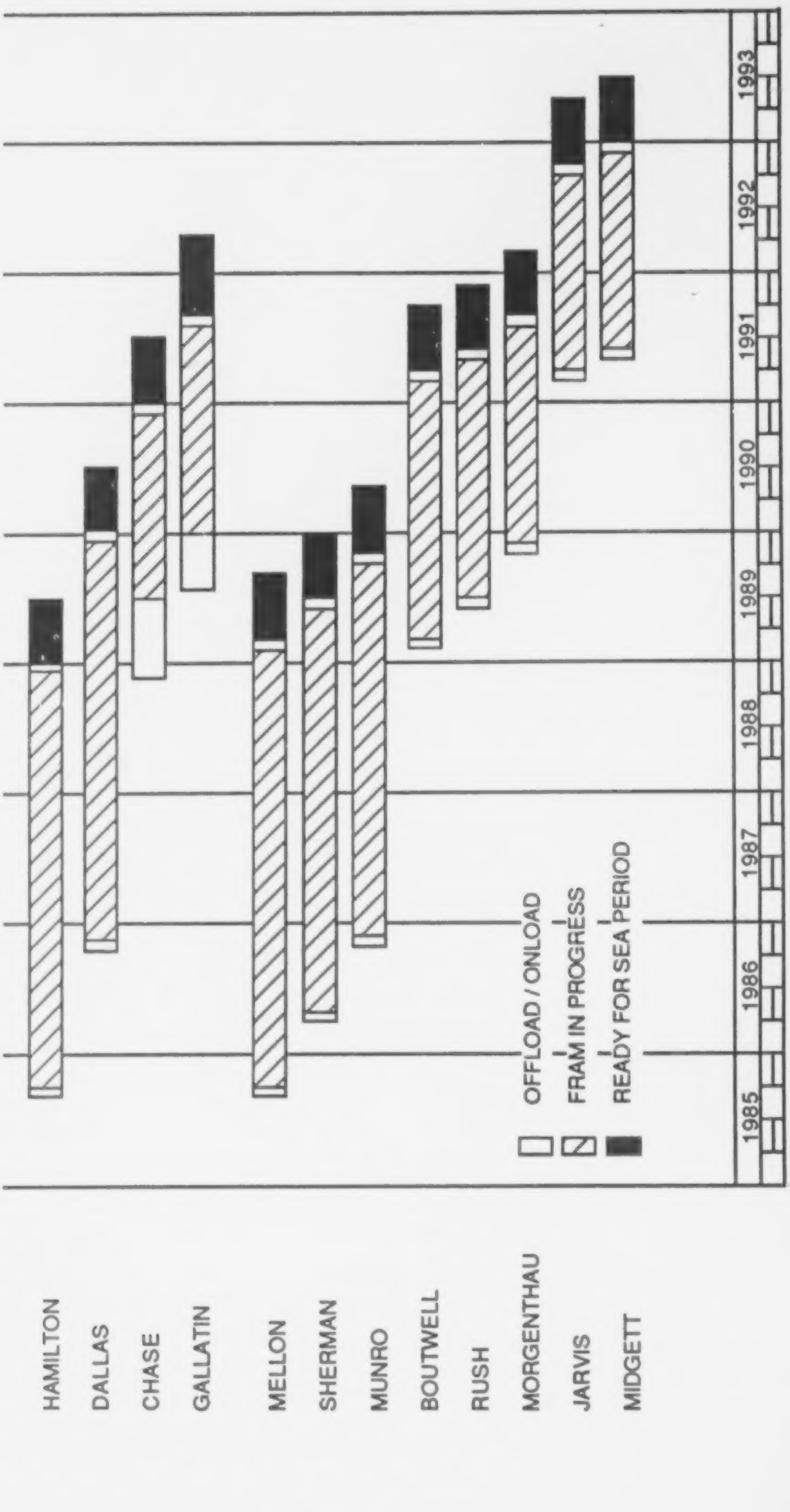
** DENOTES SHIP'S DELIVERED TO THE COAST GUARD.

FRAM SCHEDULE

Mr. LEHMAN. Please also update for the record the FRAM schedule chart shown on page 784 of last year's hearing record.

[The following is an updated FRAM delivery schedule:]

378' WHEC FRAM SCHEDULE



FRAM PROGRAM FUNDING HISTORY

Mr. LEHMAN. Please also update for the record the FRAM program funding history shown on page 786 of last year's hearing record.

[The following is an updated FRAM program funding history:]

BREAKDOWN OF FRAM PROJECT APPROPRIATIONS($1000)

		<---(2) ESTIMATES------->	
FISCAL YEAR	'(1) 1982-89	1990	1991
FUNDING			
APPROPRIATIONS	606,121	96,709	78,200
NAVY	35,343	2,000	
TOTAL	641,464	98,709	78,200
OBLIGATIONS			
BIW	201,151	64,989	2,000
TODD	349,859	63,575	'(3) 76,155
OTHER	60,719	11,980	11,945
TOTAL	611,729	140,544	90,100
OUTLAYS			
BIW	151,368		
TODD	218,086		
OTHER	42,889		
TOTAL	412,343		

(1) Total of prior year data previously reported.

(2) Reprogramming request being developed to address funding shortfall.

(3) Contract notification to proceed with hull 12 in FY91.

FRAM COSTS AND MANHOURS

Mr. **Lehman**. Provide for the record a comparison of FRAM costs and manhours for each hull.

[The following table provides a comparison of FRAM costs and manhours for each hull:]

FRAM COST AND MANHOURS FOR EACH HULL($1000)

Cutter	Man Hours (1) (Million Hrs)	Cost (2) ($Millions)
Bath Iron Works		
HAMILTON	1.9	81.7
DALLAS	1.7	67.1
CHASE	IN FRAM	
GALLATIN	IN FRAM	
Todd Shipyard		
MELLON	1.7	79.9
SHERMAN	1.4	70.4
MUNRO	1.2	58.8
BOUTWELL	IN FRAM	
RUSH	IN FRAM	
MORGENTHAU	IN FRAM	
JARVIS	WILL ENTER NOV90	
MIDGETT	WILL ENTER MAR91	

(1) DIRECT LABOR
(2) INCLUDES INDIRECT LABOR AND MATERIAL CHARGES

AC&I PROJECTS

Mr. **Lehman**. Please provide a copy of your three-part list of fiscal year 1991 AC&I projects (OST, OMB and Congressional submissions), similar to the one shown on pages 946 through 950 of last year's hearing record.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
COAST GUARD
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS
THREE STAGE BUDGET REQUEST
($000)

	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
I. VESSELS:			
A. ACQUIRE VESSELS AND EQUIPMENT:			
1. OCEANGOING BUOY TENDER (WLB) REPLACEMENT	45,400	2,200	2,200
2. POLAR ICEBREAKER REPLACEMENT #1 - FOLLOW-ON COSTS....................................	17,700	...	...
3. 44-FT MOTOR LIFEBOAT (MLB) REPLACEMENT.......	1,000	1,000	1,000
4. POLAR ICEBREAKER REPLACEMENT #2.............	220,000	250,000	...
5. REPLACEMENT CUTTER BOATS.....................	2,600	2,600	...
6. PATROL BOAT CAPABILITY REPLACEMENT ACQUISITION.	5,500	5,500	5,500
7. COASTAL BUOY TENDER (WLM) REPLACEMENT PROJECT.	3,100	3,100	3,100
8. CONSTRUCTION OF ATON BARGES - NINTH DISTRICT.	6,400	6,400	6,400
9. ACQUISITION OF REPLACEMENT BUOY BOATS........	5,600	5,600	5,600
0. WHEC PLOTTING TABLE REPLACEMENT - PHASE II...	2,200	2,200	...
1. ADDITIONAL 110' PATROL BOATS.................	44,100	44,100	...
2. TACTICAL DATA INFORMATION SYSTEM.............	1,800	1,800	1,800
B. REPAIR, RENOVATE OR IMPROVE EXISTING VESSELS AND SMALL BOATS:			
1. 378-FOOT HIGH ENDURANCE CUTTER (WHEC) FLEET RENOVATION AND MODERNIZATION (FRAM)..........	67,000	67,000	78,200
2. 210 MEDIUM ENDURANCE CUTTER (WMEC) MID-LIFE MAINTENANCE AVAILABILITY (MMA)...............	75,300	32,500	32,500
3. SERVICE LIFE EXTENSION PROJECT (SLEP)........	20,000	20,000	20,000
4. POLAR CLASS ICEBREAKER RELIABILITY IMPROVEMENT PROJECT - PH I.............................	2,700	2,700	2,700
5. USCGC MACKINAW SERVICE CONTINUATION - PHASE I.	2,500	...	...
6. 378-FOOT HIGH ENDURANCE CUTTER (WHEC) WEAPONS SYSTEM MODERNIZATION.......................	12,800	12,800	3,200
SUBTOTAL VESSELS............................	535,700	459,500	162,200

DEPARTMENT OF TRANSPORTATION
COAST GUARD
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS
THREE STAGE BUDGET REQUEST
($000)

	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
II. AIRCRAFT:			
A. ACQUIRE NEW AIRCRAFT AND INCREASE AVIATION CAPABILITY			
1. TALON SYSTEM FOR SHIPBOARD HELICOPTER TIEDOWN - PH I	9,800	9,800	9,800
2. HH-60 MEDIUM RANGE RECOVERY HELICOPTER (MRR) REPLACEMENT ACQUISITION - PH II	34,300	34,300	34,300
3. HH-65 SUPPLEMENTAL SPARES PROVISIONING	18,000	7,700	7,700
4. HU-25 MEDIUM RANGE SEARCH (MRS) - AIRCRAFT ENGINE IMPROVEMENTS	3,500	3,500	3,500
5. HU-25 LAW ENFORCEMENT SENSORS	7,600	7,600	8,100
6. AIRBORNE EARLY WARNING (AEW) C-130	24,000	24,000	...
7. C-130 AIRCRAFT, T56-A-7 ENGINE REPLACMENT	8,300	8,300	...
8. HH-65 HELICOPTER LTS-101 ENGINE REPLACEMENT	6,500	6,500	6,500
9. MEDIUM RANGE HELICOPTER REPLACEMENT - OPBAT	59,000	45,000	45,000
0. AIRCRAFT COCKPIT VOICE RECORDERS (CVRs) AND FLIGHT DATA RECORDERS (FDRs) - PH I	3,500	3,500	3,500
SUBTOTAL AIRCRAFT	174,500	150,200	110,300
III. COMMAND, CONTROL AND COMMUNICATIONS AND RELATED SYSTEMS			
1. REPLACE AIRCRAFT REPAIR AND SUPPORT CENTER (AR&SC) COMPUTER - PHASE III	1,500	1,500	1,500
2. GLOBAL POSITIONING SYSTEM INSTALLATION - PHASE II	1,600	1,600	1,600
3. CONFIGURATION MANAGEMENT	6,000	6,000	6,000

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	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
III. COMMAND, CONTROL AND COMMUNICATIONS AND RELATED SYSTEMS (Cont'd)			
4. ALASKA - UPGRADE NORTHER PACIFIC LORAN-C STATIONS - PHASE I	6,000	6,000	6,000
5. MARINE SAFETY INFORMATION SYSTEM (MSIS) REPLACEMENT	2,500	2,500	2,500
6. VTS HOUSTON/GALVESTON CCTV REPLACEMENT	800	800	...
7. VTS PUGET SOUND EQUIPMENT REPLACEMENT	1,000	1,000	...
8. COMPACAREA COMMUNICATIONS NOVA SYSTEM	1,100	...	...
9. COMPUTER FOR SERVICE RECORD AUTOMATION	1,200	1,200	1,200
0. COMPUTER FOR PERSONNEL MANAGEMENT INFORMATION SYSTEM/ JOINT UNIFORM MILITARY PAY SYSTEM OPERATIONS	1,100	...	...
1. SEUS AIR INTERDICTION SHORE FACILITIES - PHASE III	8,600	8,600	...
2. VESSEL IDENTIFICATION AND DOCUMENTATION SYSTEM	2,200	2,200	2,200
3. VTS PRINCE WILLIAM SOUND COMMUNICATIONS REPLACEMENT	2,800	2,800	...
4. AEROSTAT INTEGRATED LOGISTICS SUPPORT PLAN (ILSP)	10,700	10,700	...
5. LAW ENFORCEMENT INFORMATION SYSTEM IMPROVEMENTS	1,800	1,800	1,800
6. PERSONNEL MANAGEMENT INFORMATION SYSTEM/JOINT UNIFORM MILITARY PAY SYSTEM II	1,700	1,700	1,700
7. NEW VESSEL TRAFFIC SERVICE (VTS) INITIATIVES	17,400	...	...
8. VESSEL TRAFFIC SERVICE (VTS) NEW YORK	...	4,000	...
9. OMEGA STATION HAWAII ANTENNA INSPECTION	...	5,000	...
SUBTOTAL COMMAND, CONTROL, AND COMMUNICATIONS RELATED SYSTEMS	68,000	57,400	24,500
IV. SHORE FACILITIES AND AIDS TO NAVIGATION			
A. SHORE - GENERAL			
1. MINOR AC&I SHORE CONSTRUCTION PROJECTS	14,500	11,000	9,000
2. ENVIRONMENTAL COMPLIANCE	5,000	5,000	*...

DEPARTMENT OF TRANSPORTATION
COAST GUARD
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS
THREE STAGE BUDGET REQUEST
($000)

	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
IV. SHORE FACILITIES AND AIDS TO NAVIGATION			
A. SHORE - GENERAL (Cont'd)			
3. RELOCATE INTELLIGENCE COORDINATION CENTER TO NEW NAVAL INTELLIGENCE COMMAND FACILITY..	1,800	1,800	1,800
4. NATIONAL STRIKE FORCE EQUIPMENT AND PERSONNEL.	7,000	7,000	7,000
B. SHORE - AIR STATIONS			
1. KODIAK, AK - AIR STATION RAMP AND HANGAR PARKING AREA PAVING..........................	2,700	2,700	2,700
2. NEWPORT, OR - AIR FACILITY HANGAR CONSTRUCTION.	2,300	2,300	...
3. CHARLESTON, SC - ESTABLISH AIR FACILITY......	2,700	2,700	2,700
C. SHORE - SUPPLY CENTERS/SUPPORT CENTERS/YARD			
1. BOSTON, MA - SUPPORT CENTER RENOVATION - PH IV.	7,500	...	...
2. ELIZABETH CITY, NC - SUPPORT CENTER HH-60J TRAINING FACILITY............................	2,100	2,100	2,100
3. KODIAK, AK - SUPPORT CENTER FIRE STATION	4,200	4,200	4,200
4. KODIAK, AK - SUPPORT CENTER RECREATION CENTER POOL..	4,200	4,200	...
5. KODIAK, AK - SUPPORT CENTER KODIAK NEMETZ PARK ROADS AND GROUNDS IMPROVEMENT...............	3,000	3,000	3,000

DEPARTMENT OF TRANSPORTATION
COAST GUARD
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THREE STAGE BUDGET REQUEST
($000)

	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
C. SHORE - SUPPLY CENTERS/SUPPORT CENTERS/YARD (CONT'D)			
6. BALTIMORE, MD - COAST GUARD YARD - UPGRADE MECHANICAL SHOPS	3,700	3,700	3,700
7. BALTIMORE, MD - REPLACE YARD PORTAL CRANE #2.	2,000	2,000	2,000
8. NEW YORK, NY - SUPPORT CENTER HEALTH CARE FACILITY	7,600	7,600	7,600
9. BALTIMORE, MD - COAST GUAD YARD LAND-BASED SHIP HANDLING FACILITY	12,500	...	...
0. KODIAK, AK - SUPPORT CENTER GROUNDWATER REMEDIATION - PHASE I	2,000	2,000	*...
D. SHORE - TRAINING FACILITIES:			
1. MOBILE, AL - AVIATION TRAINING CENTER HH-60J SIMULATOR FACILITY	1,200	1,200	1,200
E. SHORE - PERSONNEL SUPPORT FACILITIES:			
1. PUBLIC FAMILY QUARTERS	24,500	20,000	13,500
F. SHORE - GROUPS/BASES/STATIONS/MSOS:			
1. BURLINGTON, VT - REPLACE STATION BURLINGTON.	3,500	3,500	3,500
2. SANDWICH, MA - REHABILITATE STATION CAPE COD CANAL	1,000	...	...
3. NEW SMYRNA BEACH, FL - REHABILITATE STATION PONCE DE LEON INLET	2,000	2,000	2,000
4. EAST TAWAS, MI - REBUILD STATION TAWAS-PHASE II.	1,400	1,400	1,400
5. CHINCOTEAGUE, VA - GROUP EASTERN SHORE RENOVATION - PHASE III	4,200	4,200	4,200

DEPARTMENT OF TRANSPORTATION
COAST GUARD
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($000)

	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
F. SHORE - GROUPS/BASES/STATIONS/MSOS (CONT'D):			
6. KEY WEST, FL - CONSTRUCT VESSEL SUPPORT BUILDING	1,200	1,200	1,200
7. MOOREHEAD CITY, NC - GROUP FORT MACON BASIN IMPROVEMENTS/STABILIZATION	2,000	...	...
8. FORT HANCOCK, NJ - CONSTRUCT GROUP SANDY HOOK PATROL BOAT PIERS	2,800	2,800	...
9. ILWACO, WA - RENOVATE CAPE DISAPPOINTMENT FACILITIES	3,200	3,200	3,200
0. KETCHIKAN, AK - BASE KETCHIKAN STORAGE FACILITY	3,000	3,000	3,000
1. NORTH BEND, OR - GROUP/AIR STATION NORTH BEND - IMPROVE FACILITIES	3,500	...	...
2. GALENA PARK, TX - MARINE SAFETY OFFICE (MSO) HOUSTON/RESERVE BUILDING	2,200	2,200	...
G. AIDS TO NAVIGATION FACILITIES:			
1. WATERWAYS AIDS TO NAVIGATION PROJECTS	7,000	7,000	7,000
SUBTOTAL SHORE FACILITIES AND AIDS TO NAVIGATION FACILITIES	147,500	113,000	86,000
V. PERSONNEL, SURVEY AND DESIGN, AND RELATED SUPPORT:			
1. PERSONNEL AND RELATED COSTS	35,000	35,500	30,536
2. SURVEY AND DESIGN OF CUTTERS AND BOATS	1,000	1,000	1,000
3. SURVEY AND DESIGN OF VARIOUS SHORE FACILITIES	10,400	6,000	5,000
SUBTOTAL MISCELLANEOUS	46,400	42,500	36,536

DEPARTMENT OF TRANSPORTATION
COAST GUARD
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS
THREE STAGE BUDGET REQUEST
($000)

	OST SUBMISSION	OMB SUBMISSION	CONGRESSIONAL SUBMISSION
SUMMARY AC&I:			
I. SUBTOTAL VESSELS	535,700	459,500	162,200
II. SUBTOTAL AIRCRAFT	174,500	150,200	110,300
III. SUBTOTAL COMMAND, CONTROL, AND COMMUNICATIONS AND RELATED SYSTEMS.	68,000	57,400	24,500
IV. SUBTOTAL SHORE FACILITIES AND AIDS TO NAVIGATION FACILITIES	147,500	113,000	86,000
V. SUBTOTAL PERSONNEL, SURVEY AND DESIGN, AND RELATED SUPPORT	46,400	42,500	36,536
TOTAL FY 1990 AC&I REQUEST	972,100	822,600	419,536

*Funding for these projects, which is traditionally reflected in this account for marine environmental protection activities, is included in the Coast Guard Environmental Compliance and Restoration Account for the congressional stage.

AC&I UNOBLIGATED BALANCES

Mr. LEHMAN. Please provide for the record a breakdown of all AC&I unobligated balances in the same format as that which appears on page 960 of last year's hearing record.

[The information follows:]

15 MAY 90

ACQUISITION, CONSTRUCTION & IMPROVEMENTS

PROJ FUNDS ACTIVE FISCAL YRS	PROJECT TITLE	UNOBLIGATED BALANCES BY PROJECT ($000) AS OF 31 MAR 1990	UNOBLIGATED BALANCES BY PROJECT ($000) PLANNED FOR 30 SEP 1990	REASON FUNDS NOT YET OBLIGATED	PROJECTED MAJOR OBLIGATION ON OR BEFORE DATE INDICATED
88,9,0	POLAR ICEBREAKER REPLACEMENT	1,091	437	Project Admin funds	30 SEP 90
87	POLAR ICEBREAKER M/P CONSOLE	406	200	FY89/90 Reprogramming Increase to Correct Install Problem	31 JUL 91
90	POLAR ICEBREAKER RELIABILITY	1,267	767	Contract Must be Scheduled to Coincide with VSL Availability	30 SEP 91
86,7,8,9,0	378-FOOT WHEC FRAM	51,029	0	On Schedule	30 SEP 90
89,0	378-FOOT WHEC WEAPONS SYSTEM	7,815	0	On Schedule	30 SEP 90
89	378-FOOT WHEC PLOTTING TABLE	1,500	0	On Schedule	30 SEP 90
86,7,8,9	270-FOOT WMEC REPLACEMENT	457	0	On Schedule	30 JUN 90
86,7,8,9,0	210-FOOT WMEC MMA	8,346	0	On Schedule	30 SEP 90
86,7,8,0	WLB SERVICE LIFE EXTEND (SLEP)	3,366	0	On Schedule	30 SEP 90
89,0	BUOY TENDER (WLB/WLM) REPLACE	6,023	5,836	On Schedule	31 MAR 91
87	RIVER BOUY TENDER (WLR)	1,630	823	Govt Furnished Outfiting Pending Hull Completion	30 SEP 91
86,7,8,9	110-FOOT PATROL BOAT - CDAA	1,489	30	Project Admin funds	01 OCT 91
89	HERITAGE PATROL BOAT - CDAA	621	150	Project Admin funds	31 JAN 93
88,9,0	MOTOR LIFEBOAT REPLACEMENT-MLB	5,946	4,954	Pends DOT-IG Design Cert Based on Testing Thru AUG 90	01 JAN 91
87	PORT SECURITY UNITS	837	631	Progressive Contracts as Indivdual Unit Pkgs Online	30 JUN 91
87,0	2ND CG DISTRICT BARGES	1,099	0	On Schedule	30 SEP 90
89	9TH CG DISTRICT ATON BARGES	6,500	400	Reprog. action just completed	30 JUN 91
90	REPLACEMENT BOATS FOR CUTTERS	2,592	2,534	Inv. off-the-shelf options	01 JAN 91
	SUBTOTAL VESSELS	$102,014	$16,762		
90	MRS JET - HU25 - ENGIMP	1,595	0	On Schedule	30 SEP 90
86,0	MRS JET - HU25 - SPARES	9,748	0	On Schedule	30 SEP 90
87,8,9,0	MRR HELICOPTER - HH60/SPARES	36,846	0	On Schedule	01 SEP 90
86,7,9,0	SRR HELICOPTER - HH65 - SPARES	33,625	34	On Schedule	30 SEP 90
89	AIREYE	1,143	0	New Technology...Revised Procurement for Depot Support	30 SEP 90
86,7	HC-130 PROCUREMENT	382	0	On Schedule	30 SEP 90
86,9,0	HC-130 FLAR	14,750	787	On Schedule	30 SEP 90
89,0	HC-130 EARLY WARNING RADAR	41,906	16,640	On Schedule - MIPR to DoD	01 JAN 91
86,8,0	TALON	7,878	0	On Schedule	01 JUL 90
86,7,8	AEROSTAT PROCUREMENT	221	0	On Schedule	01 JUL 90
	SUBTOTAL AVIATION	$148,094	$17,461		
89,0	AR&SC COMPUTER - REPLACE PH II	2,814	2,170	Hardware Procured - Software On Scheule	30 SEP 91
87,8,9,0	MID-CONTINENT LORAN - FAA	4,416	634	On Schedule - FY91 Startup	30 SEP 90
88,9	LORAN SYNCHRON - AIRPORT TF	142	0	On Schedule	31 AUG 90
89	HF RADIO	825	0	Contractor Negotiations	30 SEP 90
89	DOPPLER	1,364	1,000	Contractor Negotiations	30 SEP 90
86,7,9	SECURE COMMS - DES	6,725	2,165	Multiple VHF-FM Hi-Sites	30 JUN 91
88,0	DIST COMPUTING SYST - PH II	2,013	183	On Schedule - Software Mode	30 JUN 91
90	GLOBAL POSITIONING SYSTEM	1,401	0	On Schedule	30 JUN 90
90	SARSAT LOCAL USER TERMINALS	5,284	0	Funds committed to NOAA	30 NOV 90
86,7	STD TERMINAL FOR VESSELS	198	0	On Schedule	30 JUN 90
90	VTS TACOMA WA	3,988	3,299	Project Inserted in 90 Budget Radars will be procured in 90 Towers/Microwaves/Lines in 91	30 SEP 91
90	PORTABLE INTELLIGENCE COLLECT	697	482	Testing Devices Prior to Buy	30 SEP 91
	SUBTOTAL COMMUNICATIONS	$29,867	$9,933		

PROJ FUNDS ACTIVE FISCAL YRS	PROJECT TITLE	UNOBLIGATED BALANCES BY PROJECT ($000) AS OF 31 MAR 1990	PLANNED FOR 30 SEP 1990	REASON FUNDS NOT YET OBLIGATED	PROJECTED MAJOR OBLIGATION ON OR BEFORE DATE INDICATED
86,7,8,9,0	SELECTED ATON - WATERWAYS	7,272	0	On Schedule	30 SEP 90
86,7,8,9,0	PUBLIC FAMILY HOUSING	2,349	0	On Schedule	30 SEP 90
86,7,8,9,0	MINOR SHORE - GENERAL	7,865	0	On Schedule	30 SEP 90
88,9,0	UNDERGROUND STORAGE TANK CLEAN	4,589	500	Continued Contract Admin	30 SEP 90
87,8	ELIZABETH CITY GRNDWATER PURGE	339	0	On Schedule	30 SEP 90
90	SUPTCEN ELIZ CITY - CLINIC	3,190	540	Outfitting	30 SEP 90
87,8	SUPTCEN ALAMEDA CLINIC REPLACE	108	0	On Schedule	30 SEP 90
86,0	SUPTCEN SEATTLE - PIER 35 PHII	1,198	0	On Schedule	30 SEP 90
90	SUPTCEN KODIAK - FUEL FARM	1,894	174	Outfitting	30 SEP 90
87,9	RESTRACEN YORKTOWN - MED BLDG	966	0	On Schedule	30 SEP 90
90	TRACEN CAPE MAY - BCH EROSION	3,390	0	On Schedule	30 SEP 90
90	TRACEN CAPE MAY - BARRACKS	6,281	6,141	Remains in Planning Stage due to Late Insertion in 90 Budget	30 SEP 91
88	TRACEN PETALUMA UPH/DINING FAC	276	0	On Schedule	30 SEP 90
89	TRACEN PETALUMA - CLINIC ADDTN	716	0	On Schedule	30 SEP 90
90	TRACEN PETALUMA - WATERLINE	2,312	0	On Schedule	30 SEP 90
87	MK75 ORD REPAIR FACILITY	43	0	On Schedule	30 SEP 90
89	BASE SO PORTLAND ME - MOORING	460	0	On Schedule	30 SEP 90
86	BASE MIAMI - REHAB	70	0	On Schedule	30 SEP 90
89	BASE DETROIT - REHAB	159	0	On Schedule	30 SEP 90
87,0	BASE KETCHIKAN - RENOV PH II	4,885	135	Outfitting and Electronics	30 SEP 90
87	STA GEORGETOWN SC - PERMANENT	95	0	On Schedule	30 SEP 90
89	STA TOLEDO OH - BARRACKS/CGDF	63	0	On Schedule	30 SEP 90
88	STA YANKEETOWN FL (PERMANENT)	45	0	On Schedule	30 SEP 90
86	STA SHORT BCH NY - REBUILD STA	92	0	On Schedule	30 SEP 90
87	STA FREEPORT - RELOCATE	106	0	On Schedule	30 SEP 90
88	STA MONTAUK NY - BARRACKS/CGDF	161	0	On Schedule	30 SEP 90
88	STA ST CLAIR SHORES MI (NEW)	211	0	On Schedule	30 SEP 90
89	STA PANAMA CITY FL - REBUILD	591	0	On Schedule	30 SEP 90
90	STA GREENVILLE MS - MOORINGS	2,193	0	On Schedule	30 SEP 90
90	STA EAST TAWAS MI - REBUILD	2,193	173	Outfitting	30 SEP 90
89	STA CORTEZ FL - REPLACE	2,200	0	On Schedule	30 SEP 90
90	STA OAK ISLAND NC - REBUILD	2,991	297	Outfitting and Electronics	30 SEP 90
90	STA LAKE WORTH INLET FL-BUILD	3,190	121	Outfitting and Electronics	30 SEP 90
90	STA OREGON INLET NC - REPLACE	3,589	69	Outfitting and Electronics	30 SEP 90
89	AIRSTA SAVANNAH GA - HANGAR	283	0	On Schedule	30 SEP 90
89	NORFOLK HBR RANGE - NAVY	74	0	On Schedule	30 SEP 90
87,8	KINGS BAY ENT RANGE	331	0	On Schedule	30 SEP 90
86	MSO PHILIDELPHIA - MOVE	85	0	On Schedule	30 SEP 90
87	BAHAMIAN DOCKING FACILITY	4,122	0	On Schedule	30 SEP 90
89	COMMSTA KODIAK - FIRE RESTORE	750	0	On Schedule	30 SEP 90
89,0	SOUTHEAST US AIR INT FAC PH II	7,685	7,571	Planning Delays	30 JUN 91
89	MARITIME DEFENSE ZONE - C3I	1,190	0	On Schedule	30 SEP 90
	SUBTOTAL SHORE FACILITIES	$80,610	$15,721		
86,7,8,9,0	AC&I ADMINISTRATION	11,554	0	On Schedule	30 SEP 90
86,7,8,9,0	SURVEY & DESIGN	3,376	0	On Schedule	30 SEP 90
	SUBTOTAL ADMINISTRATION	$14,930	$0		
	GRAND TOTAL FOR ALL PROJECTS	$375,515	$59,877		

AC&I BUDGET AUTHORITY & OBLIGATIONS BALANCES

Mr. LEHMAN. Please provide for the record a breakdown of all AC&I new budget authority, obligations and unobligated balances similar to that found on pages 961-965 of last year's hearing record.

[The information follows:]

ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS BUDGET AUTHORITY/OBLIGATIONS/UNOBLIGATED BALANCES/OUTLAYS

[In thousands of dollars]

	New Budget Authority	Obligations [1]	Unobligated Balance	Outlays
Fiscal year:				
1981	333,985	317,339	82,226	223,775
1982 [2]	684,000	449,769	317,352	292,662
1983	400,000	435,491	290,861	483,990
1984 [3]	669,000	435,625	531,435	467,989
1985	374,200	505,122	411,024	443,565
1986 [4]	218,806	359,862	273,206	441,631
1987 [5]	298,000	367,555	203,293	388,978
1988	247,000	363,727	80,083	413,736
1989	435,500	379,587	135,407	335,056
1990 (estimated)	444,164	450,000	129,571	373,758
1991 (estimated)	419,536	438,000	111,107	405,000

[1] Reflects direct obligations.

[2] Includes $300M from fiscal year 1982 DOD Appropriations Act (Public Law 97-114).

[3] Includes $300M from fiscal year 1984 DOD Appropriations Act (Public Law 97-212).

[4] Includes $21.250M-transfer from the Department of Navy Coastal Defense Augmentation Account as authorized by the FY 1986 Supplemental Appropriations Act (Public Law 99-349). Excludes $10.400M transfer from the Acquisition, Construction and Improvements Appropriation to the Operating Expenses Appropriation as authorized by the Coast Guard Act of 1984 (Public Law 98-557); and $9.344M Gramm-Rudman-Hollings Deficit Act reduction (Public Law 99-177).

[5] Includes $89M from the Omnibus Drug Act capital funding as appropriated in the FY 1987 Continuing Resolution (Public Law 99-591).

HOUSING

Mr. LEHMAN. Please update for the record the housing status data found on page 967 of last year's hearing record.

[The information follows:]

	Family housing		Unaccompanied personnel housing	
	Estimated number of families inadequately housed	Percent of personnel in district	Estimated number of personnel inadequately housed	Percent of personnel in district
District:				
First	440	10	330	13
Second	0	0	0	0
Fifth	120	2	160	8
Seventh	250	10	0	0
Eighth	0	0	0	0
Ninth	10	1	0	0
Eleventh	150	4	60	4
Thirteenth	10	1	0	0
Fourteenth	0	0	0	0
Seventeenth	160	12	0	0
Total	[1] 1140	[1] 5	[1] 550	[1] 4

[1] Above totals based on 1986 Housing Survey. The next Housing Survey will be taken in the Fourth Quarter FY90. The Housing Survey ori[illegible]y planned for Fall FY89 was postponed by contracting problems.

Note:—If the leased housing program did not already provide adequate housing to meet the needs of approximately 2,692 families, the number of inadequately housed would increase by 250 per cent. Additionally, 1,293 unaccompanied personnel would be inadequately housed. The above totals do not account for nor consider inadequate housing acquired by members in the private sector which fails to meet one or more of the adequacy standards cited below. Adequate family housing is housing of sufficient size to accommodate a member and dependents, and is located in an acceptable environment within acceptable commuting distance, and rented at reasonable cost. Adequate unaccompanied personnel housing is based on acceptable living area per person, privacy of the individual, and the ability to provide male/female separation.

[CLERK'S NOTE.—The data provided above is identical to that provided on page 967 of last year's hearing record.]

Mr. LEHMAN. Please compare for the record the planned funding for housing in districts 1, 5, 7, 11 and 17 for fiscal years 1909 and 1991, as shown on page 968 of last year's hearing record, with corresponding figures reflected in the fiscal year 1991 budget request. Please explain why any changes were made.

[The information follows:]

The following is a comparison of the planned/actual housing funding for fiscal years 1990 and 1991 in-the districts requested:

[In millions of dollars]

District	Requested 1990	Actual 1990	Estimated 1991	Revised 1991
Accompanied:				
First	0.6	0.62	3.0	2.2
Fifth				
Seventh	7.0	8.98	7.0	
Eleventh				
Seventeenth		.1	15.0	9.6
Unaccompanied:				
First				
Fifth		6.11	13.4	
Eleventh				
Seventeenth				

The increased funding provided in FY90 reflects additional funding provided by Congress to address some of the Coast Guard's highest priority housing needs. FY91 reductions are a combination of accelerated FY90 funding, improved planning estimates, and a decision to phase or move projects to FY92.

POLAR ICEBREAKER PROJECT

Mr. LEHMAN. Last year, your budget included funds for 50 billets for the Polar Icebreaker Project Resident Office (PRO). Funds for that project were provided last year in the Defense bill. How many positions (and corresponding budget amounts) does the Coast Guard currently plan for that office in fiscal years 1990 and 1991?

[The information follows:]

Of the 50 billets planned for in the FY 1990 AC&I personnel line item, only eight billets have been authorized thus far for the Polar Icebreaker Project Resident Office (PRO). Due to the schedule slippage, the remaining 42 billets were not issued.

The funds for the Polar Icebreaker are currently being held by the OSD Comptroller, but are expected to be released before the end of the current fiscal year. However, even after release, there are no funds included in the DOD funding for any billets or positions for the PRO. The program will be managed by the Naval Sea Systems Command with a joint staff of five Coast Guard officers and five Navy civilians; the Coast Guard billets are not reimbursable.

The PRO will provide on-site surveillance and oversight of the development of the detail design and vessel construction. No additional billets will be required in FY 1990 since a contract will not be awarded until FY 1991. Based on current annual average personnel salary costs, the budget amount for the eight authorized billets is $378,400.

The number of billets required in FY 1991 will depend on which shipbuilder is awarded the contract. If there is an existing Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP) organization associated with that builder, Coast Guard personnel would supplement that organization. Twelve billets in addition to the existing eight would be required for the PRO in that scenario; the budget amount for 20 billets in FY 1991 is $822,800. Establishment of a full PRO would require 42 billets in addition to the eight already authorized. The budget amount for the 50 billets required in this scenario is $1,615,800. The billets (and associated funding for administrative costs) for the Icebreaker Project will be provided from the 641 positions requested for AC&I Personnel and Related Costs in FY 1991.

I would like to emphasize that our annual budget request for AC&I billets and positions is based on our best estimate of project completions, new starts, and continuations from previous years. The process of allocating personnel resources is a dynamic one. Between budget submission and execution, changes often occur which require reallocation of personnel resources.

210-FOOT CUTTER SERVICE LIFE AND MMA SCHEDULE

Mr. LEHMAN. Please provide for the record an update of the 210-foot cutter service life and MMA schedule data found on page 986 of last year's hearing record.

[The information follows:]

210' MMA SCHEDULE

Cutter	Original homeport	Final homeport	Yard entry	Yard departure
"A"Class 1				
Active	New Castle, NH	Port Angeles, WA	October 1984	February 1987
Confidence	Port Angeles, WA	Cape Canaveral, FL	October 1986	June 1988
Reliance	Cape Canaveral, FL	New Castle, NH	April 1987	January 1989
Vigilant	New Castle, NH	Cape Canaveral, FL	February 1989	July 1990
Diligence	Cape Canaveral, FL	Wilmington, NC	August 1990	January 1992
"B" Class 2				
Durable	Brownsville, TX	St. Petersburg, FL	October 1986	January 1989
Courageous	Key West, FL	Panama City, FL	March 1987	March 1990
Vigorous	New London, CT	Cape May, NJ	June 1991	November 1992
Valiant	Galveston, TX	Miami, FL	December 1991	May 1993
Steadfast	St. Petersburg, FL	Long Beach, CA	June 1992	November 1993
Alert	Cape May, NJ	Astoria, OR	December 1992	May 1994
Dauntless	Miami, FL	Galveston, TX	June 1993	November 1994
Ventorous	Long Beach, CA	St. Petersburg, FL	December 1993	May 1995
Resolute	Astoria, OR	New London, CT	June 1994	November 1995
Dependable	Galveston, TX	Corpus Christi, TX	December 1994	May 1996
Decisive	St. Petersburg, FL	St. Petersburg, FL	June 1995	November 1996

Note - (1) All "A" Class cutters being repaired at Coast Guard YARD, Curtis Bay, MD.

- (2) The first two "B" Class cutters were assigned to Colonna's Shipyard, Inc., Norfolk VA. The Transportation Systems Acquisition Review Council (TSARC) approved the transfer of the remaining "B" Class repairs to the Coast Guard Yard in July 1989.

BREAKDOWN OF COSTS PER CUTTER FOR 210′ WMEC MMA
(FY89 DOLLARS)

	"A" Class	"B" Class
Long lead time material	$ 6,000,000	
Electronics	1,105,000	(3) $22,200,000
Production costs	10,720,000	
Engineering design	750,000	3,200,000
Provisioning	500,000	500,000
Contract administration	2,000	1,500,000
OE cost (non AC&I)	600,000	-
GFE/EEE Cases	-	1,300,000
	(1)	(2)
Total/cutter	19,677,000	28,700,000

Note - (1) Based on actual cost update to A-4.
(2) Based on actual return costs on B-1 at Colonna's Shipyard.
(3) Includes Material, Contractor Electronic Costs and Production Costs.

210-FOOT CUTTER AND MMA CONTRACTS

Mr. **Lehman**. Please also provide for the record a breakdown of the 210-foot MMA contracts in a similar format as that appearing on page 987 of last year's hearing record.

[The information follows:]

210-FT, WMEC MAINTENANCE AVAILABILITY [MMA] CONTRACTS

[Dollars in millions]

	Coast Guard Yard, Curtis Bay, MD "A" Class/B-3-B-11 project orders	Colonna's Shipyard, Inc. (B-1 and 2), Norfolk, VA "B" Class	
		Contract and Mods	Escalation
Fiscal year:			
1982	$0.25		(2)
1983	[1] 21.75		
1984	[1] 21.79	$0.27	
1985	6.02	1.82	(2)
1986	19.84	14.73	(2)
1987	3.29	20.38	(2)
1988	[3] .76	10.53	(2)
1989	22.32	10.95	(2)
1990	[4] 6.00	1.50	(2)
1991	Pends	(5)	
1992	Pends	(5)	
Total	102.02	60.18	

[1] Project Orders at CG Yard utilized both "A" & "B" Class long lead time material (LLTM)

[2] Economic price adjustment written into contract to equal inflation rate each year.

[3] A 6.0 million deobligation for LLTM not yet needed for "A" Class will be utilized for "B" Class contract.

[4] Anticipated.

[5] Contract complete at Colonna after B-2 finish.

210-FOOT CUTTER MMA APPROPRIATIONS OBLIGATIONS AND OUTLAYS.

Mr. **Lehman**. Please also update the data found on page 987 of last year's hearing record concerning 210-foot cutter MMA appropriations, obligations and outlays.

[The information follows:]

210-FT. WMEC MMA APPROPRIATIONS, OBLIGATIONS, AND OUTLAYS

Fiscal year and description	Appropriation	Obligation	Outlays
1982 LLTM	$6,000,000	$250,000	0
1983 LLTM, A-1	16,000,000	19,811,798	$317,773
1984 LLTM, A-1	34,300,000	21,289,851	1,928,854
1985 LLTM, A-1 and A-2	15,050,000	9,092,800	8,023,245
1986 LLTM, A-1, A-2, B-1	25,500,000	35,496,318	8,529,135
1987 LLTM, A-1, A-2, A-3, B-1, and B-2	11,300,000	23,274,325	12,527,470
1988 LLTM, A-3, A-4, B-1, and B-2	31,500,000	11,342,943	50,997,081
1989 LLTM, A-3, A-4, B-1, and B-2	[1] 30,500,000	45,858,282	21,969,929
1990 LLTM, A-4 and B-2	7,976,000	361,273	12,165,066
Total	178,126,000	166,777,590	116,458,553

[1] $10.5 million was reprogrammed to T-800 engine evaluation leaving $20 million in FY89.

MRR HELICOPTER PROCUREMENT MILESTONES

Mr. **Lehman**. Please update for the record the MRR helicopter procurement milestone table found on page 995 of last year's hearing record.

[The following is an updated milestone table for the MRR procurement:]

MRR HELICOPTER PROCUREMENT MILESTONES

Event	Planned date	Actual date completed
Preliminary design review	June 1987	June 1987.
Critical design review	October 1987	October 1987.
Begin fabrication of aircraft ±1	April 1988	April 1988.
Begin contractor testing	April 1989	April 1989.
Delivery of first aircraft	March 1990	
Begin Coast Guard design testing	April 1990	
Complete Coast Guard design testing	September 1993	
Deliver 32nd aircraft	April 1993	

MRR HELICOPTER PROCUREMENT BREAKDOWN

Mr. **Lehman**. Please also update for the record the MRR helicopter procurement breakdown found on page 996 of last year's hearing record.

[The following is an updated breakdown of the MRR procurement:]

MRR HELICOPTER PROCUREMENT
($ millions)

COAST GUARD BUDGET (YR)	FY86	FY87	FY88	FY89	FY90	FY91	OUTYEAR	TOTAL
NUMBER OF AIRCRAFT	2	13	0	9	8	0	0	32
AIRCRAFT								
AIRFRAME & CFE	15.7	110.8	0.0	77.4	72.2	0.0	0.0	276.1
ADMIN	0.9	0.4	0.0	0.4	0.4	0.0	0.0	2.1
GFE	2.6	16.9	0.0	11.7	10.4	0.0	0.0	41.6
ENGINEERING CHANGE ORDERS	1.1	4.1	0.0	6.2	4.2	7.5	1.5	24.6
NON-RECURRING, ENGINEERING	18.9	0.3	0.0	0.4	0.3	0.0	0.0	19.9
TECH DATA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
TEST & DEMO	0.0	10.8	0.0	0.0	0.0	0.0	0.0	10.8
SUBTOTAL	39.2	143.3	0.0	96.1	87.5	7.5	1.5	375.1
SUPPORT								
ISL PLAN/MGT	1.1	0.7	0.0	0.4	0.3	0.0	0.0	2.5
LOGISTICS SUPPORT ANALYSIS	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.9
PUBLICATIONS	0.0	1.2	0.0	1.0	0.9	0.0	0.0	3.1
TRAINING	0.0	0.0	0.0	2.2	19.5	6.4	4.7	32.8
TEST SUPPORT	0.0	0.7	0.0	1.0	0.0	0.0	0.0	1.7
SUPPORT EQUIPMENT	0.8	1.4	7.0	1.6	3.8	3.5	2.1	20.2
FIELD ACTIVITIES	0.0	2.7	0.0	3.1	3.4	2.8	2.7	14.7
SUBTOTAL	2.8	6.7	7.0	9.3	27.9	12.7	9.5	75.9
SPARES	3.1	17.4	11.6	38.7	11.1	11.2	0.0	93.1
GRAND TOTAL	45.1	167.4	18.6	144.1	126.5	31.4	11.0	544.1
APPROPRIATIONS	44.1	180.0	0.0	145.0	131.6	34.3	9.1	544.1
OBLIGATIONS	44.1	165.2	14.8	69.9				

SRR HELICOPTER PROCUREMENT COSTS

Mr. **Lehman**. Please update for the record the data on SRR helicopter procurement costs, including engine improvement costs, shown on pages 997 and 998 of last year's hearing record.

[The information follows:]

An updated SRR helicopter procurement cost table is provided as requested. Expenditures for engine improvements have been suspended pending final resolution of the Department of Justice investigation. Amounts reported are obligations.

SRR HELICOPTER PROCUREMENT

		FY81& PRIOR	FY82	FY83	FY84	FY85	FY86	FY87	FY88	TOTAL
Aircraft	Original	37	32	21						90
(Quantity)	Current	37	32	27*						96

CONTRACT PROCUREMENT COSTS ($MILLION)
(COMPARISON OF ORIGINAL VERSUS CURRENT CONTRACT)

		FY81& PRIOR	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	TOTAL
Aircraft	Original	81.7	70.7	46.4								198.8
	Current	81.7	70.7	77.0*								229.4
Reliability Assurance Warranty (RAW)	Original	10.9										10.9
	Current	10.9										10.9
Technical Representative	Original	0.9										0.9
	Current	0.9										0.9
Training	Original	2.3	1.5									3.8
	Current	2.2	1.4									3.6
Spares	Original	14.2	8.2	16.1								38.5
	Current	14.2	8.2	16.1	4.0	8.5	8.4	2.2	2.2	8.3	18.1	90.2
Spares Escalation	Original	2.5	2.7	7.3								12.5
	Current	4.7	4.8	12.8		2.0	4.0					28.3
Contract Administration	Original	0.5	0.1	0.	0.1	0.1						0.9
	Current	0.6	0.1	0.1	0.2	0.3	0.7	0.4	0.4	0.3	0.1	3.2
Contract Economic Price Adjustment (EPA for Aircraft, RAW,Training)	Original	13.8	12.1	15.4	19.8	20.6	5.8					87.5
	Current	20.4	14.3	16.0	16.5	10.4	0.4					78.0
							TOTAL		Original			353.8
									Current			444.5
Annual Percentage Increase Due EPA (Cumulative)	Original	6.5%	12.1%	19.3%	28.6%	38.3%	41.0%					41.0%
	Current	9.6%	16.3%	23.8%	32.6%	38.7%	37.0%					37.0%

*Congressionally mandated increase of 6 helicopters for $30.6M

HH-65 SPARES PROVISIONING COSTS

Mr. **Lehman**. Please update for the record the table on HH-65 spares provisioning costs shown on page 1000 of last year's hearing record.

[The information follows:]

A breakdown of HH-65 spares provisioning is provided as requested.

Fiscal year	appropriated	obligated
1979	4.0	
1980	7.0	7.6
1981	7.9	11.3
1982	13.0	13.0
1983	44.5	28.9
1984	8.0	4.0
1985	0	10.5
1986	10.5	12.4
1987	5.5	2.2
1988	0	2.2
1989	0	8.3
1990	18.1	[1] 18.1
1991	[2] 7.7	

[1] Projection.

[2] Amount requested in FY91 budget to increase HH-65 sparing levels.

MOTOR LIFEBOAT REPLACEMENT

Mrs. **Boggs**. The Committee has expressed an interest in the testing and evaluation of the motor lifeboat replacement [MLB) and has requested written certification from the Inspector General that design issues have been addressed satisfactorily. What is the status of this certification? What is the status of the construction and delivery of the prototype vessels?

[The information follows:]

The Coast Guard and the Inspector General have agreed on a plan to certify the resolution of the design issues. The plan includes a review of the Detail Design drawings and design reports, the Test and Evaluation Master Plan, and the prototype test results. Construction on the prototype motor lifeboat started in August 1989. The prototype will be delivered for Coast Guard testing in July 1990. Under the current schedule the Inspector General is expected to provide the necessary certification to the House and Senate Appropriations Committee by September 30, 1990.

Mrs. **Boggs**. Should the Inspector General certify that MLB design concerns have been satisfactorily addressed, can we expect fiscal year 1990 AC&I funds to be released in a timely manner so as not to interrupt the contractor's production schedule?

[The information follows:]

Under the current schedule the Coast Guard must notify the contractor by December 1, 1990, of our intent to exercise the 5 boat pre-production contract option. We expect that the Inspector General will certify the design by September 30, 1990, so we do not expect to delay the construction schedule.

Mrs. **Boggs**. This year's budget includes $1 million for the MLB program. What will these funds be used for?

[The information follows:]

The funds will be used to administer the project, operate and maintain the prototype and 5 pre-production boats, and modify the production motor lifeboat design.

Mrs. Boggs. What is the schedule for evaluation and testing for the MLB? When will a decision be made on full production?

[The information follows:]

The MLB test schedule is noted below. The full production decision will follow the pre-production operational evaluation.

Date:	Event:
1 July 1990	Start Prototype Test and Evaluation.
24 Aug. 1990	Coast Guard Provides the Prototype Test Results to the Inspector General.
30 Sept. 1990	Inspector General Provides the design certification to the House and Senate Appropriations Committees.
1 Dec. 1990	Coast Guard Notifies the Contractor of our Intent to Exercise the 5 Boat Pre-Production Contract Option.
1 Jan. 1991	Coast Guard Exercises the 5 Boat Pre-Production Contract Option.
	Textron Marine Starts Construction on the Pre–Production Boats.
1 Nov. 1991	Textron Delivers the 5 Pre-Production Boats.
	Coast Guard starts the Pre-Production Operational Testing.
	Coast Guard Issues the Full Production Request for Proposals.
1 Sept. 1992	Coast Guard Awards the Full Production Contract.

UTS AT NEW YORK AND NEW ORLEANS

Mrs. Boggs. The fiscal year 1990 Coast Guard Reauthorization Act (P.L. 101-225) directs the Coast Guard to reestablish the Vessel Traffic Services at New York and New Orleans in the interest of maritime safety. How does the Coast Guard intend to meet this requirement?

[The information follows:]

The Coast Guard has begun the project to reestablish a Vessel Traffic Service (VTS) in New York. Construction has begun on the vessel traffic center. Personnel have been ordered in and are reporting aboard to begin training. The electronics suite has been identified and major portions have been purchased. We will put VTS New York into operation when all watchstanders are well trained and qualified, and the equipment has been tested and proven reliable. Proceeding as rapidly as the procurement process and our personnel performance standards will allow, we anticipate on on-air date in late 1990.

New Orleans is among the 23 ports the Coast Guard is presently studying to determine the level of vessel traffic management necessary to reduce the risk of marine accidents. The study, due in early 1991, will also determine estimated costs. Although the FY90 Coast Guard Authorization Act calls for reopening VTS New Orleans, there was no accompanying appropriation.

Mrs. Boggs. What type of system is the Coast Guard currently planning to install for the New Orleans area? How much would such a system cost? Are there any alternatives?

[The information follows:]

The Coast Guard has not yet completed its final plan for implementing a Vessel Traffic Service (VTS) in the Lower Mississippi River. Before we can prepare an implementation plan, we must first consult with the users to determine the extent of surveillance coverage. This waterway stretches over 250 miles from the Gulf of Mexico to Baton Rouge. There are several levels of coverage that could be applied to such a vast area.

The ongoing VTS Port Needs Study (due Feb 91) will determine the best level of vessel traffic management for New Orleans and the implementation cost.

At this point it is too early in our planning process to estimate what our funding requirements might be to start implementation in FY–91.

Mrs. BOGGS. Is the Coast Guard consulting with port interests that use the Mississippi River regarding the design and implementation of a new VTS system for New Orleans?

[The information follows:]

The Coast Guard has an established advisory committee, the Lower Mississippi River Safety Advisory Committee (LMRSAC), consisting of representatives from the marine industry and organized to advise the Coast Guard on matters affecting the safety of navigation on the lower Mississippi River. The committee meets quarterly. A standing subcommittee within this organization is the VTS advisory committee. The Coast Guard has worked closely with this group in the past and intends to consult them regularly in the future regarding VTS plans for New Orleans.

The VTS advisory committee has been investigating various types of VTS hardware and intends to recommend to the Coast Guard its preferences in terms of performance standards. The Coast Guard would coordinate with the full LMRSAC, before developing policy and standard operating procedures.

Mrs. BOGGS. What would the plan the Coast Guard currently has for VTS-New Orleans cost? What funding would be needed to initiate implementation of this plan in fiscal year 1991?

[The information follows:]

The Coast Guard has not yet completed its final plan for implementing a Vessel Traffic Service (VTS) in the Lower Mississippi River. Before we can prepare an implementation plan, we must first consult with the users to determine the extent of surveillance coverage. This waterway stretches over 250 miles from the Gulf of Mexico to Baton Rouge. There are several levels of coverage that could be applied to such a vast area.

The ongoing VTS Port Needs Study (due Feb 91) will determine the best level of vessel traffic management for New Orleans and the implementation cost.

At this point it is too early in our planning process to estimate what our funding requirements might be to start implementation in FY–91.

Mrs. BOGGS. The comprehensive oil spill liability legislation (H.R. 1465) currently pending before a House-Senate conference committee, directs a study of VTS needs. Would you expect this study to produce any significant findings affecting the need for or design of VTS-New Orleans that is currently authorized?

[The information follows:]

The Coast Guard has begun a study of 23 major U.S. ports and waterways to determine the level of vessel traffic management (necessary to reduce the risk of marine accident). New Orleans is among the ports being studied. This study will produce findings that will address the need, type and cost for a VTS in each of the ports. The Coast Guard expects to complete the Port Needs Study in early 1991.

ADJOURNMENT

Mr. LEHMAN. Mr. Coughlin?

Mr. COUGHLIN. No further questions, Mr. Chairman.

Mr. LEHMAN. Thank you, Admiral Gilbert. At this time, we will conclude the hearings for the Coast Guard for fiscal year 1991.

FRIDAY, APRIL 20, 1990.

OFFICE OF THE SECRETARY OF TRANSPORTATION

WITNESSES

ELAINE CHAO, DEPUTY SECRETARY, DEPARTMENT OF TRANSPORTATION

KATE MOORE, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS, DEPARTMENT OF TRANSPORTATION

OPENING REMARKS

Mr. **LEHMAN**. The Committee will come to order.

We will receive testimony on the fiscal year 1991 budget request for the Office of the Secretary of Transportation.

That request totals $102.7 million, a 5 percent increase over the fiscal year 1990 level.

Our primary witness today is Ms. Elaine Chao, the Deputy Secretary of Transportation. Ms. Chao is supported by Ms. Kate Moore, Assistant Secretary for Budget and Programs.

We welcome both of you here today, and we look forward to your testimony. Ms. Chao, you may proceed with an oral summary.

We will place your prepared statement in the record. After your summary, we will proceed with questions.

Ms. **CHAO**. Mr. Chairman, members of the committee, I am pleased to have this opportunity to appear before the committee to discuss the fiscal year 1991 budget request for the Office of the Secretary of the Department of Transportation.

As you know, this has been a very eventful year for our Department as we have developed the National Transportation Policy and also dealt with natural disasters and other issues of the day.

Throughout, we have appreciated the cooperation and support we have received from this committee.

Before discussing the specific details of this budget, let me summarize the range of our management activities and also our accomplishments which reflect a balance between the Secretary's priorities—setting policy and management goals and delegating the operational responsibility to the modes.

The National Transportation Policy established strategies and goals for the future direction of DOT programs. As a follow-up to the NTP, OST is coordinating an assessment of whether we are staffed and organized efficiently to address the issues raised in the NTP.

OST is also coordinating intermodal studies—such as in the high-speed surface transportation area—to flesh out the strategies of the NTP.

OST worked hand-in-hand with FAA to fashion the FAA reauthorization proposal the first major opportunity to implement the key themes of the NTP. It includes establishing a local airport financing mechanism through passenger facility charges and increased Federal funding to respond to aviation needs.

Secretarial leadership in several areas has reinforced the activities of individual modes. For example, most recently the Secretary held a traffic safety conference in Chicago. This outreach effort brought together traffic safety officials from across the Nation and gave us an opportunity to promote Federal highway safety programs and also to hear directly of State and local concerns.

The Department has also completed a major airline competition study. This airline competition study was the most comprehensive review by the Department to date of the results of airline deregulation. We are in the midst of a review to evaluate options for the Federal Government on the future of the commercial space transportation industry as well as the maritime industry.

We are also seeking ways to improve the efficiency of DOT, its management, and its operations.

This includes efforts to consolidate DOT into a single building; expand the use of automation to reduce paperwork and increase responsiveness; and strengthen our internal management controls by improving our accounting and also payroll systems.

In addition to managing the Department's internal drug testing program, the Secretary has established, in his immediate office, an office to oversee implementation of our industry drug rules and to coordinate drug and alcohol policy.

On the issue of drug testing, I want to thank Representative Coughlin for sponsoring a major piece of legislation providing UMTA with the authority to require drug testing in the transit industry. Enactment of this legislation is necessary given the court decision that now has this drug testing program on hold.

You also will be pleased to know that at the beginning of the Bush Administration, there were 238 DOT rulemakings pending that were begun before January 1, 1987. We have taken public action on over 60 percent of these rulemakings and have completed about 103 to date.

In the case of NHTSA, which I know is of great concern to many people, we have reduced the OST clearance time from 84 days per rulemaking in fiscal year 1988 to 18 days in fiscal year 1989. The general counsel's office now meets regularly with the NHTSA office to ensure that they are well aware of the rulemakings that are coming down the pike from NHTSA. I think this early communication has helped to shorten that timeframe as well.

FY 1991 BUDGET REQUEST

To carry out our departmental oversight and management responsibility, we are requesting $102.7 million for all OST accounts. This is a 4.8 percent increase over the fiscal year 1990 enacted level and supports a total employment level of 1,022 FTE's, which is about equal to the fiscal year 1990 enacted staffing level.

Let me talk a little bit about salaries and expenses.

The salaries and expenses appropriation at $60.1 million will provide for the overall management and direction of the programs of the Department.

Within our requested levels, staffing reductions are proposed for the Essential Air Service Office consistent with our proposed phasedown of the subsidy program.

Funding at the requested level is critical to effective management of the Department's programs. In the past three years, Congress has reduced our request by an average of $3.5 million annually or about 5 to 6 percent. These reductions have made it more difficult to carry out our management oversight responsibilities and the budget request supports 621 FTEs, which is a 1.4 percent reduction from the fiscal year 1990 enacted levels. The Secretary has heard the concerns of this committee and he wants to be very supportive in making the Office of the Secretary lean and efficient. But this streamlining doesn't occur overnight. We need the requested resource levels to carry out our responsibilities in the meantime.

We, of course, appreciate the increased transfer authority of 5 percent enacted for fiscal year 1990. However, we are again requesting with great sincerity a lump sum appropriation for salary and expenses for fiscal year 1991. Office-by-office, appropriations limit our flexibility to direct resources to issues as they arise. Given our good working relationship with this committee we once again urge that we do get the lump sum appropriations especially in light of the fact that there is only one other Department within the Federal Government which has this restriction.

We are also proposing to repeal the spending cap on advisory committees.

We understand your concern on that issue as well.

The Department has concluded an overview of the advisory committees in the Department; and we have identified four advisory committees that we will propose to terminate by the end of fiscal year 1991.

We are proposing that funding for the Office of the Commercial Space Transportation be budgeted separately to reflect its growing importance with the Department. The request of $4.5 million is 7.6 percent above the comparable fiscal year 1990 level, and we estimate that as many as 40 commercial launches in fiscal year 1991 will occur as opposed to 10 to 15 projected for fiscal year 1990.

This increased launch activity and the potential for new private sector launch facilities will generate a significant increase in licensing activities and in the number of inspection trips that will be needed to ensure that the launches and launch facilities are indeed meeting safety standards.

My next item is on transportation planning, research and development. Our request of $4 million for transportation planning, research and development is relatively small in our opinion compared to our overall budget.

This is the only discretionary money that is available for the Secretary to direct studies that he deems appropriate and necessary, especially intermodal studies which are a priority of his as we go forward with the national transportation policy.

We are requesting $23.6 million for payments to air carriers under the Essential Air Service program. This is different from past Administration budgets which have proposed to eliminate funding completely. This budget proposes a 23 percent decline from the fiscal year 1990 level, but we do propose to continue an orderly phase out of the program over time. We plan to continue to tighten the subsidy eligibility criteria initiated in fiscal year 1990 with the support and direction of this committee. At our requested level, we will reduce services by about $2.4 million which is likely to require ending service to 8 to 12 communities.

My next item is the Working Capital Fund. We are requesting obligation authority of $157.3 million for the Working Capital Fund, including an obligation limitation of $146.8 million, and a direct appropriation of $10.4 million.

This request supports several initiatives that will strengthen our internal controls such as continued implementation of the Department's accounting and financial information system, and design and testing of our uniform procurement management systems. These systems, when operational, will help us to respond to several criticisms from our Inspector General.

Another example is the upgrade of the payroll system to integrate two separate systems now being used in the Department which again the IG has identified as an area of vulnerability.

This increase is especially critical because of the cost absorptions and the budget reductions proposed for fiscal year 1990. The Department's working capital fund is the only working capital fund in the Federal Government that is encumbered by an obligation limitation and to the extent that the limitation is lowered, it prevents us from carrying out our mandate.

This concludes my prepared statement, Mr. Chairman, and I will be glad to answer any questions that you may have.

[The prepared statement of Ms. Chao follows:]

OPENING STATEMENT OF ELAINE CHAO, DEPUTY SECRETARY ON THE FY 1991 OFFICE OF THE SECRETARY BUDGET BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION

APRIL 20, 1990

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to appear before your Committee to discuss the fiscal year 1991 budget request for the Office of the Secretary of the Department of Transportation. As you know, this has been an eventful year for the Department as we developed the National Transportation Policy (NTP) and dealt with natural disasters and other issues of the day. Throughout, we have appreciated the cooperation and support we have received from this Committee.

Before discussing the specific details of this budget, I would like to summarize the range of our management activities and accomplishments which reflect the Secretary's balance between setting policy and management goals and delegating operational responsibility to the modes.

- o The National Transportation Policy established strategies and goals for the future direction of DOT programs. As a follow-on to the NTP, OST is coordinating an assessment of whether we are staffed and organized efficiently to address the issues raised in the NTP. OST is also coordinating intermodal studies — such as in the high speed surface transportation area — to flesh out the strategies of the NTP.

- o OST worked hand-in-hand with FAA to fashion the FAA reauthorization proposal, which, as the first major opportunity to implement the key themes of the NTP, includes establishing a local airport financing mechanism through Passenger Facility Charges and increased Federal funding to respond to aviation needs.

- o Secretarial leadership in several areas has reinforced the activities of individual modes. The most recent example was the Traffic Safety Conference held earlier this month. This outreach effort, at the Secretary's request, brought together traffic safety officials from across the nation and gave us an opportunity to promote Federal highway safety programs and also to hear directly State and local concerns.

- o The recently completed airline competition study was the most comprehensive review by DOT to date of the results of airline deregulation. Similarly, we are in the midst of a review to evaluate various options for the Federal Government's role in the future of the commercial space transportation industry as well as the maritime industry.

- o We are continually seeking ways to improve the efficiency of DOT management and operations. This includes efforts to consolidate DOT into a single building; expand the use of automation to reduce paperwork and increase responsiveness; and strengthen our internal management controls by improving our accounting and payroll systems.

- In addition to managing the Department's internal drug testing program, the Secretary has established, in his immediate office, an office to oversee implementation of our industry drug rules and coordinate drug and alcohol policy. On the issue of drug testing, I want to thank Representative Coughlin for sponsoring legislation that provides UMTA with authority to require drug testing in the transit industry. Enactment of this legislation is necessary given the court decision that now has this drug testing program on hold.
- At the beginning of the Bush Administration there were 238 rulemakings pending that were begun before January 1, 1987. We have taken public action on over 60 percent of those and completed 103 to date. In the case of NHTSA, which I know is of specific concern to both this Committee and the Secretary, we have reduced the OST clearance time from an average of 84 days per rulemaking in FY 1988 to 18 days in FY 1989. The General Counsel's office now participates regularly in NHTSA's principals' meetings, which facilitates the rulemaking process by providing early communication of our respective concerns regarding the rulemaking.

To carry out our departmental oversight and management responsibilities, we are requesting appropriations totalling $102.7 million for all OST accounts. This is a 4.8 percent increase over the FY 1990 enacted level and supports a total employment level of 1,022 FTE, about equal to the FY 1990 enacted level.

SALARIES AND EXPENSES

The Salaries and Expenses appropriation, at $60.1 million, will provide for the overall management and direction of the programs of the Department. Within our requested level, staffing reductions are proposed for the Essential Air Service office consistent with the proposed phasedown of the subsidy program.

Funding at the requested level is critical to the effective management of the Department's programs. In the past three years Congress has reduced our request by an average of $3.5 million annually, or about 5 to 6 percent. These reductions have made it more difficult to carry out our management oversight responsibilities. The budget request supports 621 FTE, a 1.4 percent reduction from the FY 1990 enacted level. The Secretary has made it quite clear that he wants DOT to be lean and efficient. Yet such streamlining does not happen overnight and we need the requested resource level to carry out our responsibilities in the meantime.

We appreciate the increased transfer authority of five percent enacted for FY 1990. However, we are requesting a lump sum appropriation for Salaries and Expenses in FY 1991. Office-by-office appropriations limit our flexibility to direct resources to respond to issues as they arise. Given our good working relationship with the Committee, we do not believe this constraint is justified, especially in light of the fact that only one other cabinet agency receives such treatment.

We are also proposing to repeal the spending cap on advisory committees. Nevertheless, we are attuned to your concerns about the level of spending on advisory committees. In fact, we have identified four non-statutory advisory committees that will be terminated by the end of FY 1991.

OFFICE OF COMMERCIAL SPACE TRANSPORTATION
Operations and Research

We are proposing that funding for the Office of Commercial Space Transportation be budgeted separately to reflect its growing importance within the Department. The request of $4.5 million is 7.6 percent above the comparable FY 1990 level. We estimate as many as 40 commercial launches in FY 1991 as opposed to 10 to 15 launches projected in FY 1990. Increased launch activity and the potential for new private space facilities will generate a twofold increase in licensing activity and in the number of inspection trips needed to ensure the safety of the launches and launch facilities.

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

Our request of $4.0 million for Transportation Planning, Research, and Development is the Secretary's only direct source of discretionary funds available for intermodal studies and research to help shape the policies, programs and direction of the Department. Against a total budget of $27 billion, $4 million is a small investment for critical special studies and analyses to strengthen the policy underpinnings of the Department.

PAYMENTS TO AIR CARRIERS

We are requesting $23.6 million for payments to air carriers under the Essential Air Service program. Unlike past Administration budgets that proposed to eliminate funding, this budget proposes a 23 percent decline from the FY 1990 level and continues an orderly phaseout of the program over time. We plan to continue and tighten the subsidy eligibility criteria initiated in FY 1990, with the support and direction of this Committee. At our requested level, we would reduce services by $2.4 million, which will likely require ending service to about eight to twelve communities (based on the average cost of $225,000 per subsidized point of service).

WORKING CAPITAL FUND

We are requesting obligation authority of $157.3 million for the Working Capital Fund — including an obligation limitation of $146.8 million and a direct appropriation of $10.4 million. The request supports several initiatives which will strengthen our internal controls such as: continued implementation of the Departmental Accounting and Financial Information System, and design and testing of the Uniform Procurement Management System. This system, when operational, will help us to respond to the

Inspector General's (IG) criticism that current DOT procurement systems are independent of the accounting and financial systems. Another example is the upgrade of the payroll system to integrate two separate systems now used in the Department, which the IG has also identified as an area of vulnerability.

This increase is especially critical because of the cost-absorptions and budget reductions imposed in FY 1990. The Department's Working Capital Fund is the only working capital fund in the Federal government encumbered by an obligation limitation. To the extent the limitation is reduced, it prevents us from providing services planned and budgeted by the modes that would likely be more expensive if procured separately by the modes.

This concludes my prepared statement, Mr. Chairman. I would be glad to respond to the Committee's questions.

TRANSCRIPT REQUIREMENTS

Mr. LEHMAN. Thank you.

Before we start on our questions, I want to emphasize the importance of your seeing to it that the transcript from this hearing as well as those from our earlier hearings with your operating agencies are edited and promptly returned to the Committee.

House rules prohibit us from bringing our bill to the Floor until all of our hearings are in print.

To date, the only operating agencies within the Department that have returned transcripts are the IG, Seaway, and RSPA.

We simply don't have the luxury of allowing you four to six weeks to review the transcripts if we are going to move our bill in a timely manner.

You know what you have to do.

Ms. CHAO. Yes, sir.

NATIONAL TRANSPORTATION POLICY

Mr. LEHMAN. After much fanfare, the National Transportation Policy was finally unveiled on March 8. It incorporates five major strategies: stronger partnership between Federal, State and local governments; greater reliance on user fees; greater reliance on private investment; removal of unnecessary regulations in the trucking, flag shipping, and railroad industries; and promotion and acceleration of new development.

As many have already pointed out, three of these five major initiatives propose a smaller role for the Federal Government in solving our transportation problems.

Is it a fair criticism to say that we are not taking the initiative at all, but expecting others to do so?

We have seen a few cartoons.

Ms. CHAO. Mr. Chairman, I am delighted that you asked that question because it is one that we are very eager to answer.

When Secretary Skinner came into the Department of Transportation last January, he thought that the Federal Government, like private business, should have a strategic plan for going forward in terms of allocating resources and deciding priorities. He felt strongly that with the Federal Government being the safeguard of taxpayers' money and the Department being the leader within the Federal Government on transportation issues that we should have a strategic plan as well.

For a good part of 1989, the Department held public hearings. It has tried to raise the public awareness on the need for infrastructure financing.

Let me say that a year ago in trying to talk to the media about investment in our infrastructure, by the time we got to the word "infrastructure," we saw eyelids close. Somehow we were never able to get the message out on the importance of infrastructure.

I think in one year's time as a result of having held public hearings, and meetings with industry, that the Department should be commended for having raised the issue of transportation infrastructure financing to the national arena.

I think that this grassroot awareness and this national awareness of the need, first of all, the importance of our transportation infrastructure and the need to maintain and rehabilitate it, is a major undertaking, because without mobilizing grassroots support, I don't think transportation issues will be in the forefront when dollars are being talked about.

This committee understands very well the competing priorities that rest before you, and the big ticket items that transportation issues have to compete against.

We are competing with drugs, with S&Ls, just to name two large issues.

The mission of this Department is to highlight and lift the transportation needs of this Nation up to a level where there will be national consensus. We have done that, but in so doing, we have also raised people's expectations as to what they want fixed.

People want their roads and bridges fixed, so that the do list is much bigger. The people's awareness of what needs to be fixed is so much greater. From that point of view, the task is immense and there is no way that the Federal Government alone will be able to fund the entire infrastructure. The Federal Government will have to work together with State and local governments and the private sector.

There are also many opportunities for the private sector to be involved in this venture. We have met with investment bankers to get them involved in solving this national problem.

I don't buy that argument that we are pushing the responsibility down to the State and local level. I see it more as a partnership trying to address very important and significant issues on our national agenda.

Mr. LEHMAN. The only thing we agree on is that we both admire Sam Skinner.

Last year you told us that "it is not easy to try to satisfy everyone, especially in light of fiscal constraints. I think there will have to be priorities."

What are those priorities, as set forth in your new policy, and which aspects of transportation are being deemphasized?

Ms. CHAO. I think the National Transportation Policy provides a framework for further action and it is being taken seriously. It dovetails so perfectly with the timing of the reauthorization cycle.

The policy statement was never intended to be a budget document. The policy statement basically reaffirms important Federal transportation objectives such as assigning priority to preserving essential transportation infrastructure, removing unnecessary Federal regulations and requirements, and maintaining a high level of transportation safety. We had six themes: to maintain and expand the transportation system; to provide a sound financial base for transportation; to keep the transportation system strong and competitive; to ensure that the transportation system supports public safety and national security; to protect the environment and quality of life; and to advance U.S. technology and expertise within the transportation area.

Mr. LEHMAN. We were disappointed that the policy contains no mention of the resources or schedules necessary to meet those policy objectives. In fact, there is no mention made of future development of an implementation plan or investment strategy.

What good is a policy without further linking it to long-range implementation costs and schedules?

Ms. **Chao**. Again, sir, may I respectfully disagree with that and explain why?

As I mentioned before, the policy was never meant to be a budget document, as you know. It was meant to be an overall strategic plan to set forth what the Department would be considering as it went forward and developed its reauthorization packages and other activities.

I would say that we have already begun to implement the National Transportation Policy and we indeed have a Phase II—Implementation of the National Transportation Policy.

For example, our FAA reauthorization proposal shows that we are carrying out the major points that I made in the National Transportation Policy area.

We have had the highway traffic summit to generate greater awareness of safety on our highways. We are conducting a maritime policy review. We are going forward with drug testing. We are conducting studies on high-speed surface transportation including high-speed rail, and magnetic levitation. We are looking at commercial space task forces, at the aviation capacity. We are also expediting funds to transit projects that increase their local share and we have proposed an open skies initiative. That is a major development in terms of our international aviation industry.

We do have a list of things that are a direct outflow of the National Transportation Strategy and we are implementing them.

That is not to mention what is happening within the Office of the Secretary where we are looking at how to make the Office more efficient.

Mr. **Lehman**. You have had this policy now and don't you need a plan to implement the policy?

Do you intend to put out any further documentation to implement the policy?

Ms. **Chao**. We had actually discussed internally as to whether we should set out a sort of a list of what we have done. We have done it informally. Perhaps we should do it formally.

Mr. **Lehman**. You do the policies and it is a done deed?

Ms. **Chao**. No, because the policy sets a framework for reauthorization, and as we come forward with the reauthorization packages, you will see many of the principles and the themes that we have emphasized within the National Transportation Policy reflected.

NATIONAL TRANSPORTATION POLICY COST

Mr. **Lehman**. How much did it cost you to develop this? How much did the actual development of the National Transportation Policy cost?

Ms. **Chao**. I think it was close to a million dollars, Mr. Chairman.

Mr. **Lehman**. Please expand on your answer for the record, and include a breakdown of these costs as well as an explanation of the number of copies printed.

[The information follows:]

Costs of Developing and Printing the Statement of National Transportation Policy [1]

Item	*Amount*
Fiscal year 1989:	
Consultants and advisers	$150,483
TSC seminars	125,000
Steno/Reporting services	45,000
Printing (2,000 copies of "A Look at the 21st Century", 31,320 copies of "Volume 1, Building the National Transportation Policy")	76,035
Miscellaneous	3,826
Fiscal year 1989 total	400,344
Fiscal year 1990:	
Consultants and advisers	386,218
"Transexpo" at TRB	100,000
Printing (and 111,000 copies of "A Statement of National Transportation Policy"; 5,000 copies of the "National Transportation Strategic Planning Study")	329,210
Miscellaneous	23,278
Fiscal year 1990 total through 4/13/90	838,706
Fiscal year 1989 and fiscal year 1990	1,239,050

[1] Direct costs for the NTP. Does not include indirect DOT staff and support costs.

OMB'S TRANSPORTATION POLICY CHANGES

Mr. **LEHMAN**. There was much discussion in the media about OMB's changes to your proposed policy.

Do you believe that OMB "watered down" your proposals or made the policy significantly weaker?

Ms. **CHAO**. As you know, the National Transportation Policy was cleared through an interagency process.

That is a usual approach for major documents, and we went through that process.

We had some differences with OMB, but I think most were in the category of wordsmithing.

Mr. **LEHMAN**. You sent the policy to OMB?

Ms. **CHAO**. Right.

Mr. **LEHMAN**. At this time, could you tell us any major changes that OMB did to the policy between the time it went into OMB and the time it came out?

Ms. **CHAO**. You have heard about some of the newspapers——

Mr. **LEHMAN**. Just one major change, if you have one.

Ms. **CHAO**. You have heard some of them.

Again, the interagency review process is one that is quite beneficial at times.

There are some things that we need to discuss within the Administration and we have gone through that process.

Mr. **LEHMAN**. For the record, please provide a summary of the substantive changes made by OMB to your proposed transportation policy.

[The information follows:]

No major issues or Department initiatives were dropped from the Statement of National Transportation Policy as a result of OMB comments. In the course of the normal clearance process, OMB—working with various other agencies—recommended a number of modifications. Many of the suggested changes were in the nature of "wordsmithing." For example, OMB recommended that the phrase "more productive national transportation system" be modified to read "more efficient national transportation system," while a sentence expressing the Federal commitment to "stable tax policies" was expanded to refer to "stable macroeconomic and tax policies." In several major areas, OMB also suggested that the Department highlight the elements of the FY 1991 DOT budget that carry out the themes and initiatives in the policy statement.

STRATEGIC PLANNING STUDIES

Mr. LEHMAN. You have also been conducting, under the auspices of the Transportation Systems Center, a series of five strategic planning studies in selected areas.

What is the status of those studies and what have you concluded to date?

Ms. CHAO. Final reports were prepared by four of the five urban areas: San Francisco and Sacramento, New York, Philadelphia, and Nashville. They were sent to the Appropriations Committees last year. The final report from D.C. will be completed shortly and forwarded at that time.

With regard to the five study areas, each study developed goals and objectives for its transportation systems, evaluated the demographic trends, identified the major issues, prepared up to three investment strategies for achieving the system goals. They were consistent with the recently issued National Transportation Strategy.

There is a general recognition that demand cannot be met alone by building more transportation infrastructure. Transportation resources have to be better managed and this can be achieved through a number of innovative technological methods such as smart cars, HOV lanes, and better vehicle control. Also, land-use planning must consider the transportation infrastructure that is needed to support new developments, and implement designs that can best serve these purposes.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

The National Transportation Strategic Planning Study has been completed and is currently being printed. We expect that it will be available in mid-May at which time we will transmit it to the Congress.

With regard to the 5 area studies, each study developed goals and objectives for its transportation systems, evaluated demographic trends, identified major issues (including financing) and prepared up to three investment strategies for achieving system goals. These strategies represent billions of dollars for highway and transit investment, and in most cases serve only to maintain existing levels of service.

Consistent with the recently issued National Transportation Policy, there is general recognition in all of the studies that demand cannot be met by building more transportation facilities alone. Transportation resources, particularly the dominant automobile/highway system, must be better managed. This can be achieved through traditional Transportation Systems Management (TSM) actions, such as high occupancy vehicle (HOV) lanes to increase vehicle occupancy, the application of "smart" technologies to better control vehicle movements, and better multi-modal planning coordination. In addition, land use planning must consider the transportation infrastructure needed to support new development and implement designs that can be served most cost effectively.

Four financing strategies were recommended: (1) dedicated and stable revenue sources, such as gasoline taxes; (2) maximum flexibility in allocating available funds; (3) automated toll/fare collection technologies to enhance revenue from users: and (4) public/private partnerships aimed at recapturing the value created by transportation investments.

PASSENGER RAIL FUNDING

Mr. LEHMAN. I would give you a harder time if I didn't think that perhaps the Department did as well as it could under the circumstances, with the OMB and the Administration, and the "read my lips" stuff.

I have two main problems.

You can't have a National Transportation Policy without passenger rail commitment and there is no way you can have the private sector fund Amtrak.

That is out of reality. You never have bitten this bullet. They send us the Amtrak budget every year with no funding. That is weird. If you don't face that issue, you don't have a National Transportation Policy.

I agree that the Secretary really feels that way in his heart of hearts and he will have to deal with that before he leaves his office.

The other thing is you are not going to have a transportation policy until somebody comes up with a gasoline tax.

Every Western industrial nation in the world pays triple what we do for gasoline. That is the basis for funding a National Transportation Policy.

General Motors is coming up now with an electric car, battery-powered car, the only way you are going to make that car feasible is to increase the cost of gasoline and that car will be feasible and it will help our environment whenever you do that.

You can't satisfy a commitment to national rail service until you do that.

To coin a phrase, you are just whistling Dixie.

Ms. CHAO. Secretary Skinner recognizes very well the importance of passenger rail.

Let me say you know that he is not a man who shirks from action—but given the first year and our agenda that we had in the first year, there were a couple of things that we did not have time to address.

One is maritime. We are looking at that now.

The second one is Amtrak and passenger rail. The Secretary is committed to reviewing that issue and he is not one to act without fully understanding the problem. There are certain things within Amtrak which I have to confess I don't quite understand and if I may say so, I think he would like to have certain things clarified. So we are going forward with the Amtrak study.

Mr. LEHMAN. Will you yield back on that?

Ms. CHAO. I will be more than glad to.

Let me also say first that given the congestion in our surface transportation and our aviation system, there is no question that we need to look at alternative modes of transportation.

We are very active in FRA with high-speed rail. We are looking into that and magnetic levitation.

I am going to Europe next week, and I will look at the Area Brown Boveri [ABB] rail technology in Sweden. Amtrak is very interested in having some of their trains operate on the Northeast corridor.

Mr. **Lehman**. I feel like in the next budget, after he has had a chance to study Amtrak, that he will come forward—maybe this is just wishful thinking—in the 1992 budget request, I am hoping to see a light at the end of the Amtrak tunnel. That is why I am hanging in there with him.

Would you like to comment on the gasoline tax?

GASOLINE TAX

Ms. **Chao**. I think California has currently one of the lowest gasoline taxes in the Nation—nine cents. There is a referendum coming up in June for another nine cents, and it will be interesting to see what happens at that point.

Mr. **Lehman**. That is passing the buck. You are not going to have people vote for passing a tax. They vote for us to pass the tax.

Ms. **Chao**. If they don't want it on a local level, it will be harder to pass it.

Mr. **Lehman**. Mr. Coughlin?

NATIONAL TRANSPORTATION POLICY

Mr. **Coughlin**. I want to join in welcoming Elaine Chao, Deputy Secretary, and Kate Moore, Assistant Secretary for Budget and Programs, to the committee.

Miss Chao has had a distinguished career in Government and yesterday was the one-year anniversary of becoming Deputy Secretary for Transportation, and I compliment her on that and her distinguished service to her country.

I very seldom disagree with the Chairman of this Committee. We see eye to eye on practically every issue.

I disagree somewhat on his analysis of the National Transportation Strategy.

I think it is important that the Secretary came forward with the transportation strategy early in the Administration. Usually the strategy comes out just before the Administration leaves town and it is left for someone else to implement. The fact that you came out with the strategy early is to your credit.

Second, I believe strongly that it was important that this strategy recognize, really for the first time, that mass transportation was indeed part of an integrated transportation system. We have been going through a period of time in the last Administration where that whole aspect of our transportation system was sort of left hanging outside of the whole picture. This recognizes that mass transit is a part of the system.

The third item, I suspect that other than the Interstate Highway System, most of our transportation infrastructure historically has been financed through bond issues, through State and local Governments, and probably will continue to be, using Federal money as seed money, as leverage to try and encourage current State and local Governments to take certain steps.

I do agree with the Chairman on the absence of a passenger rail as a part of a strategy.

I think that was a glaring omission, if I may say so, but I also recognize that to some extent it was on the part of the Congress in not passing legislation that would make it perhaps easier for the passenger rail services to abandon lines that were not profitable, to not have passenger rail service responsible for retirement for all of the various rail employees, and to have workmen's compensation apply to passenger rail as it does to other industries. These are things that could make passenger rail more profitable and it is probably our fault here in the Legislative Branch that it didn't happen.

Ms. CHAO. Thank you very much.

You are far more eloquent than I am.

UMTA DRUG RULE

Mr. COUGHLIN. You did mention the legislation that was introduced to give UMTA the statutory authority to provide a drug ruling and I guess for the record could you say why that is so important?

Ms. CHAO. The UMTA drug rule was rejected by the U.S. Court of Appeals for the District of Columbia Circuit.

The rule is in every material respect the equivalent of rules that have been upheld to date with other transportation modes, but the court concluded that UMTA lacked the statutory authority to issue the rule.

The rule was actually developed with full public participation. Its underlying testing and laboratory procedures have been rigorously scrutinized for their objectivity, scientific validity, and protection of the employees.

Yet, because of the court decision, the effective date of this rule has been suspended.

The bill which you introduced will do only one thing and that is to return us to the drug-testing status quo for mass transit that existed before the court decision.

The bill will not change anyone's right or responsibility from those that were put in place and implemented on December 21, 1989. This is a most direct route to assuring the public that mass transit operators are indeed drug free.

The public is entitled to this protection and Secretary Skinner has urged Congress to act favorably on this proposal at the earliest possible time.

ALCOHOL AND DRUG TESTING

Mr. COUGHLIN. As vice chairman of this Committee and the Select Committee on Narcotics Abuse and Control, I know that transportation and drugs do not mix.

The Department of Transportation has engaged in several years of analysis and rulemakings to devise and implement drug testing requirements for sensitive safety workers in transportation industries.

The result has been six rules covering transportation employees.

The Federal Aviation Administration rule tests for five drugs as soon as possible after an incident, but not later than 32 hours. No alcohol test is required.

The Federal Railroad Administration rule requires both alcohol and drug tests within eight hours.

While I know that ". . . consistency is the hobgoblin of little minds," isn't there anyone at the Department who checks this type of thing?

Thirty-two hours seems an awfully long time to wait to have a test.

I would appreciate your comment on that.

Ms. CHAO. FRA actually is a little different in that the post-incident and reasonable cause testing requirements for railroads were effective before publication of the DOT drug testing regulations in 1988 because FRA took the lead in implementing drug testing programs.

All the formal drug regulations except FRA allow up to 32 hours. This means that they are encouraged to act as quickly as possible, but in some of the other modes, there can be limited access areas where more time is needed to complete collection.

The rules actually encourage taking of the test as quickly as possible, with the ability to collect it up to 32 hours.

Mr. COUGHLIN. Particularly in view of the recent incident in which some pilots were flying an aircraft with a level of blood alcohol that exceeded by far the norms, don't you believe that aircraft operators and aircraft controllers should be alcohol tested as well as blood tested as the FRA requires?

Ms. CHAO. The Department has an advance notice of proposed rulemaking on this and comments were expected in by the end of January this year.

We had so many comments we have extended it to March 9 of this year.

We received more than 200 comments. We are in the process of evaluating them.

Alcohol abuse certainly is of great concern to us, as I can demonstrate by going on with my description of the advance notice of proposed rulemaking.

There are some who are very concerned about the differences in alcohol testing and that alcohol perhaps needs a separate treatment because of its distinguishing circumstances.

For example, alcohol is a legal substance and so there have to be different methods of testing, but let me say that it is of great concern.

We are trying to develop regulations as to how best to deal with the different aspects of alcohol. We are very concerned about it.

Mr. COUGHLIN. Let me suggest that some provision for random preflight or preoperation of a locomotive or preoperation of a bus for—random testing for both drugs and alcohol could have a very valuable effect, it seems to me, on not having drugs or alcohol involved in safety sensitive positions.

Ms. CHAO. We totally agree with you that transportation must be safe.

Let me add that different methods of testing include Breathalyzers and blood samples. Blood samples are far more accurate but for more intrusive. These are the kinds of issues we need to look at as we go forward with this notice.

HIGHWAY TRUST FUND

Mr. COUGHLIN. Let me bring up three subjects that are near and dear to my heart to see if the Department has thoughts on this.

The first is that your transportation strategy suggests more flexibility in use of the highway trust fund but doesn't suggest really a way of getting there. I would like to suggest a way of getting there to some extent at least and that is allowing highway trust fund moneys to be used to repair bridges that serve highways.

A great many overpasses, underpasses that are in very bad shape around the country serve highways but you can't use highway trust fund money to repair them because they are owned by someone other than the state or the highway department.

How would the department feel about allowing highway trust fund money to be used to repair those bridges?

Ms. CHAO. I appreciate that insight. As we go forward with reauthorization, I will keep this in mind and look at this as well.

Mr. COUGHLIN. I think it is worth looking at.

Ms. MOORE. It is something our highway administrator is very actively considering right now.

MASS TRANSIT FUNDING

Mr. COUGHLIN. I did bring this up to Administrator Larson and I wanted to make sure you were aware as well.

The second area as we look at phasing down operating assistance to mass transit, I have long held the position that we should be willing to use some funds for capital maintenance. It doesn't make much sense to give communities the funds to buy new buses or new locomotives or new railcars and then when the engine breaks down or a compressor breaks down have them come back and ask for a whole new car rather than using some of the funding for capital maintenance.

I would hope that you would look at legislation along those lines.

Ms. MOORE. I know that our UMTA administrator has that on his agenda, too. It is ridiculous that it should be less costly to buy a whole new bus than to repair an old one.

TECHNOLOGY ALTERNATIVES

Mr. COUGHLIN. A third area that I hope you will look at with some care as we are getting into looking at things like magnetic levitation, which you mentioned earlier, and TGV, is tilt rotor technology. It occurs to me that there may be some direct—not competition—but trade-off in looking at a tilt rotor technology, accomplishing essentially the same mission. The trade-off between those technologies is something that I don't think is being examined very carefully, and I would urge the department to examine it. They both serve sort of the same population, the 300 to 400 mile transportation corridor.

We have few corridors probably in this country that have the population density that they have in many corridors in Europe. I think that you have got to take a look at that to see whether we should go in one direction or another.

Ms. CHAO. The national transportation policy does try to emphasize an intermodal approach. As part of the implementation of the national policy there is a task force to look at surface congestion and part of that study will, in fact, also look at cross-modal alternatives.

It will look at tilt rotor and high speed rail options as well.

Mr. COUGHLIN. Thank you, Mr. Chairman. I have no other questions. I yield back.

IG REPORT ON MAJOR MANAGEMENT PROBLEMS

Mr. LEHMAN. Thank you, Mr. Coughlin.

In his most recent semiannual report, the Inspector General issued a special assessment of DOT's overall management, and found five major issues requiring management attention: Major acquisition in FAA and Coast Guard; grants management in FAA and UMTA; safety oversight in FAA, FRA and RSPA; environmental compliance in FAA and Coast Guard; and loan guarantees in MARAD.

Excluding the MARAD issue, which this subcommittee has no jurisdiction over, would you explain whether you agree with the IG in each of these areas and what you are doing at the departmental level to address those problems?

Ms. CHAO. In general, we always take the recommendations and the comments of the IG with great seriousness.

Last June, OMB spearheaded a program integrity, financial integrity, and program management initiative that was initiated by Director Darman and the department was directed to work very closely with the IG office and the management office to highlight major issues requiring management attention.

Obviously, we have looked at all these various areas. We were all involved in developing these areas with the IG. OMB at that time made it very clear that they would prefer that problems be surfaced in the first year of this Administration. The department's were given a grace period to highlight these areas within our own management and also begin to tackle them early. This action was very forcefully reinforced: if we did not come up with weaknesses before December 31 we would be under some fire ourselves.

So, from June to December, there were active meetings among management, staff and also the IG staff and also the department's Program Integrity Management Improvement Council. This group holds a senior level meeting about every two weeks to highlight these areas, to monitor whether recommendations are being carried forward, and to monitor progress of suggested solutions to material weaknesses.

We are improving on the reporting process, which tracks the status of actions; we have also developed a tracking system which will be updated quarterly.

We also plan to include both the IG's major issues and OMB's high risk areas as part of this tracking system, and will continue to meet with this council regularly.

Mr. LEHMAN. Do you monitor these situations in these various modes as they move along?

Ms. CHAO. Yes, we will do that. We will meet regularly and we will also have a tracking system.

Mr. **Lehman**. Please expand on your answer with specifics for the record, and include a copy of the special assessment as included in the IG's report.

[The information follows:]

The Department reviewed the areas which the OIG identified as major issues requiring management attention as part of our 1989 Federal Managers' Financial Integrity Act (FMFIA) process. The results of that review were included as Enclosure E to our "FMFIA 1989 Report to the President and the Congress."

In summary, the Department identified 17 material weaknesses which were included in the 1989 report and 6 additional weaknesses which were identified under the Department's early warning system. The Department has devloped action plans for each of the material weaknesses and is proceeding to take appropriate action to correct the material weaknesses identifed. Funding has been requested in the FY 1991 budget to implement corrective action for some of the weaknesses identified.

We are improving the reporting process which tracks the status of actions taken to correct each material weakness and have developed a tracking system which will be updated quarterly and provide the status of corrective actions taken. We also plan to include both the OIG major issues and the OMB high risk areas as part of our tracking system.

The Department's Program Integrity and Management Improvement Council (PIMIC) will continue to meet during 1990 to focus on and discuss program integrity issues and ensure that corrective actions are being completed on schedule.

FAA is performing a management review of their major system acquisitions and procurement activities with a specific focus on the NAS program.

We have provided a copy of Enclosure E from our "FMFIA 1989 Report to the President and the Congress" which describes our work in 1989 in addition to the copy of the special assessment that was included in the IG's report.

Enclosure E

Management Control Issues
Raised by the Office of Inspector General and the Office of Management and Budget

Issues Identified by the Office of Inspector General

Major Acquisitions in FAA and USCG

FAA indicated this program activity warrants closer management attention and will perform a management review of major systems acquisitions and procurement activities, with a specific review of the NAS Program, during FY 90.

FAA identified the following five material weaknesses involving major system acquisitions and procurement:

inadequate controls for acquisition of computer systems and services;

inadequate management controls to ensure new Information Resource Management projects are compatible with and not duplicative of existing systems;

failure to properly conduct cost/benefit studies for the Advanced Automation System;

inadequate monitoring of airport construction materials for conformance with approved designs; and

improve contract administration procedures concerning documentation of contract costs.

USCG identified the following material weakness involving major system acquisitions and procurement:

inadequate procedures to support scrap versus overhaul of the Cummins VT-903 engine.

USCG also identified the following four material weaknesses involving major system acquisitions and procurement, under the Department's early warning system:

inadequate procedures to monitor contractor performance during acquisition of standard terminal equipment;

failure to effectively monitor contractor's control over Government Furnished Equipment;

inadequate documentation to support prenegotiation positions and inadequate standards of conduct for procurement personnel; and failure to follow established policies on maintaining/updating vessels plans and specifications.

Grants Management in UMTA and FAA

UMTA identified the following material weakness involving grants management:

increased grants management oversight needed.

FAA identified the following material weakness involving grants management:

inadequate monitoring of airport construction materials for conformance with approved designs.

FAA also identified the following two weaknesses under the Department's early warning process:

improprieties in Airways Science Program Grants; and

inadequate monitoring of airport grant land management controls.

Safety Oversight in FAA, FRA, and RSPA

FAA identified the following material weakness involving safety oversight:

inadequate management controls to oversee the training and hiring of air traffic controllers, aviation safety inspectors, and maintenance technicians in the field.

FRA identified the following three material weaknesses involving safety oversight:

railroads are often under-reporting injuries and accidents to FRA;

FRA's Hazardous Materials (HazMat) Inspection Program lacks sufficient staffing and program guidelines which impairs the fulfillment of FRA's safety enforcement mission; and Office of Chief Counsel's backlog of untransmitted safety violations impairs the fulfillment of FRA's safety enforcement mission.

RSPA identified the following two material weaknesses involving safety oversight:

inadequate execution of responsibilities for inspection of pipelines; and

inadequate execution of responsibilities for inspection of high pressure cylinder facilities.

Environmental compliance in USCG and FAA

USCG identified the following two material weaknesses involving environmental compliance:

noncompliance with regulations concerning aboveground fuel storage tanks; and

noncompliance with State and Federal laws relating to underground storage facilities.

FAA identified the following material weakness involving environmental compliance:

inadequate controls in place to prevent spills of hazardous/toxic waste.

Loan Guarantees in MARAD

MARAD provides substantial financial support to U.S. flag ocean carriers through several programs. MARAD's major programs in this area are the operating differential subsidy and Federal Ship Financing Guarantees (Title XI) programs. Recognizing their significance and the need for adequate oversight and program control, MARAD has established ten assessable components for the two programs. Vulnerability assessments were performed on these components, most recently in FY 1986 and again in the 1989 cycle. The vulnerability ratings assigned were "low" in recognition of the internal controls in place and operating to assure the protection of the Federal interests. In addition to these vulnerability assessments, a number of alternative internal control reviews have been performed on these programs. Based upon MARAD's evaluation of their loan guarantees program, they have concluded that no material management control weakness exists.

Highest Risk Areas Identified by the Office of Management and Budget

Major System Procurement - FAA and USCG

This is addressed above.

Urban Mass Transportation Administration

This is addressed above.

Fragmented, Nonstandard Financial Management System

The Department is addressing this area with the implementation of the Departmental Accounting and Financial Information System (DAFIS).

The Department also reported a material weakness in its personnel and payroll systems.

Federal Highway Administration

FHWA has addressed the material weakness of grantee employment of consultants on Federal-aid highway projects in Enclosure C of this letter. They plan to correct this weakness during 1990.

Maritime Administration

This is addressed above.

SPECIAL ASSESSMENT

DEPARTMENTAL PROGRAM MANAGEMENT AND INTEGRITY

During the last 6 months, DOT has undertaken a fresh assessment of the management of its programs to assure that effective management controls are in place. The Secretary and the Deputy Secretary have expressed their personal commitment to ensuring the integrity of DOT programs. The Deputy Secretary is leading DOT's effort and the OIG is involved in identifying vulnerable areas.

This special assessment highlights the most significant issues the OIG identified. The assessment is a departure from our practice of identifying management control weaknesses only after the completion of OIG or General Accounting Office (GAO) audits. Audit work has not been concluded in all of the issues presented and we may ultimately determine that a good system of management controls exists. We are continuing to work with management to assess the controls and corrective action is already underway where specific problems have been identified.

As part of this effort, the OIG and GAO held a series of meetings. A separate, thought-provoking discussion was held on each Modal Administration to assess the major management control issues for the Mode. The discussions included past and ongoing audit work as well as our professional judgment regarding the management control environment and vulnerability of the Modes' programs to abuse or mismanagement. The most significant issues identified were:

MAJOR ISSUES
REQUIRE MANAGEMENT ATTENTION

- **Major Acquisitions in FAA and USCG**
- **Grants Management in UMTA and FAA**
- **Safety Oversight in FAA, FRA, and RSPA**
- **Environmental Compliance in USCG and FAA**
- **Loan Guarantees in MARAD**

MAJOR ACQUISITIONS IN FAA AND USCG

The Department spent approximately $2 billion in Fiscal Year (FY) 1988 for the procurement of goods and services. The majority of those expenditures were for major acquisitions in FAA and USCG. For FY 1990, FAA requested nearly $2 billion to fund planned construction and equipment procurements and installations. USCG requested close to $700 million to fund capital improvements, including vessel and aircraft acquisitions. The OIG and the GAO have been very active in performing reviews of specific system acquisitions. During the past 2 years the OIG issued 8 reports on FAA and USCG acquisition issues that were highlighted in our semiannual reports to Congress. Two of these reports are in this semiannual report (Pages 10 and 11). During the same period GAO issued 9 reports on FAA and USCG acquisitions. These audits have shown that both FAA and USCG need to provide top management oversight in requirements determination, acquisition planning, specifications development, contract award, preproduction testing, contract modifications, and contract administration.

GRANTS MANAGEMENT IN UMTA AND FAA

About $17.6 billion (60 percent) of the Department's budget is spent on grants to fund a wide range of transportation projects. Of this, $3.4 billion is applied to UMTA programs and $1.0 billion to FAA programs. During the past 2 years, the OIG semiannual reports highlighted 24 reports related to grants management problems in UMTA and FAA. Nine of these reports are in this semiannual report (Pages 11, 14, 16, and 17). GAO also issued a report on UMTA grant management. UMTA has historically supported an oversight approach which relies heavily on the grantee to properly manage its grant programs. Oversight efforts are further diluted because congressional action has added funding for UMTA grantees while not increasing UMTA's oversight staff. As a result, the Federal role in program oversight on UMTA programs is reduced. Weaknesses also exist in FAA's grantee oversight of airport projects funded by the Airport Improvement Program. For example, FAA's controls for monitoring grantee airport construction projects are not effective in assuring that pavements are properly constructed, tested and accepted in conformance with contract specifications.

SAFETY OVERSIGHT IN FAA, FRA, AND RSPA

In meeting its safety mission, the Department sets safety standards, conducts inspections of equipment and facilities, manages air traffic, and provides Grants-In-Aid to states and local governments to conduct safety programs. GAO has issued 19 reports in the past 2 years concerning FAA, FRA, and RSPA safety oversight. Two OIG reports are discussed in this semiannual report (Page 13). Our assessments of the effectiveness of the Department in carrying out its safety mission have identified deficiencies in several key areas, including outdated staffing standards to set manpower requirements, insufficient staff resources to satisfactorily accomplish their assigned missions, potential loss of significant numbers of experienced personnel due to retirement, and inadequate safety inspection programs which have contributed to voids in coverage.

ENVIRONMENTAL COMPLIANCE IN USCG AND FAA

USCG and FAA are required to comply with the Water Pollution Control Act of 1972, the Toxic Substance Control Act of 1978, and the Resource Conservation and Recovery Act of 1976. In a prior audit, we reported on the USCG problems relating to its removal of hazardous materials and waste from its shore units. Our ongoing audit work has shown that the USCG will not be able to comply with state and local requirements for managing and monitoring underground fuel storage tanks. Furthermore, the USCG pollution abatement plan for underground leaking storage tanks is incomplete because it does not include all the projects that need to be done and all the costs associated with implementing the plan. If the USCG does not implement an effective underground storage tank program, USCG units will be placed in noncompliance with EPA's release detection requirements which take effect in December 1989. Likewise, FAA has previously reported inadequate control procedures for hazardous toxic waste and fuel spills at the Technical Center in Atlantic City, New Jersey.

LOAN GUARANTEES IN MARAD

Title XI of the Merchant Marine Act of 1936, as amended by the Federal Ship Financing Act of 1972, provides for the U.S. Government to give a full faith and credit guarantee of payment of principal and interest on obligations issued by U.S. citizen ship owners. Between 1983 and 1988, MARAD paid 2.28 billion on Title XI defaulted loans. While MARAD has not guaranteed any new loans since April 1988, it is presently holding a portfolio of guaranteed loans valued at $3.8 billion. MARAD has rated $165 million of these loans as high risk and $1.2 billion as moderate risk. A high risk rating means that the companies are likely to default in the next 12 months unless they receive external assistance. A moderate risk means that the companies are not likely to default in the next 12 months, but their future ability to avoid default is not certain. Based on its FY 1991 budget submission, MARAD estimated continued losses from $25 million to $69.7 million per year, through 1994. Extensive oversight must be exerted by MARAD to ensure that the Government's interest is protected on the high- and medium-risk loans. The GAO has not evaluated the management control systems that are in place to assure that Government losses are minimized after the risk has been identified. The OIG has made some recommendations to MARAD with regard to the management control system and MARAD has provided the OIG with responses to those recommendations which are now being reviewed. During 1990, the OIG plans to work with MARAD to assure good management controls are in place in this vulnerable area.

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FAA MANAGEMENT

Mr. **Lehman**. Why do you think that the FAA's name came up in four of the five issue areas? Are they more poorly managed than other modal administrations?

Ms. **Chao**. The FAA is a very large organization. It has very complicated procurement systems, very complicated processes, and I think people are also very concerned about aviation, air travel in general. So the FAA has a special aura attached to it.

Again, given this Secretary's expertise in aviation, given that he is a general aviationist, he has a very, very strong interest in the FAA and is in close contact with the FAA and with Admiral Busey on a host of issues, as do I and senior members of the staff.

I think the FAA is a very large and complicated organization.

MAJOR ACQUISITION PROCESS

Mr. **Lehman**. I was very impressed with Admiral Busey in his testimony and I hope in two years when we ask the same question, FAA won't be on all four of them.

It is disturbing to find that major acquisition is still a problem. As you know, this has been a problem for several years, and it doesn't seem to be getting any better, despite a world of good intentions. Is it a problem of inadequate guidance, poor enforcement of existing guidance, or just bad decision-making?

Ms. **Chao**. I don't think it is bad decision-making. We have something called TSARC—a major oversight board, which monitors and oversees major projects along key milestones.

We are, in fact, asking for one FTE for that particular function, and we think that that is an adequate——

Mr. **Lehman**. You know there's an acquisition czar now for FAA. Do you need more acquisition czars?

Ms. **Chao**. That is a newly created position. I think it reflects Admiral Busey's expertise and interest in this area.

TSARC is different. FAA's czar of acquisition oversees every individual procurement and gets much more into what FAA does, whereas TSARC is much more involved with all the modes.

Mr. **Lehman**. There is an acquisition czar in FAA now and you approve of that?

Ms. **Chao**. Yes. It was set up recently.

Mr. **Lehman**. Would you like to see a similar position for the Coast Guard?

Ms. **Chao**. I think a more efficient way to do it is for us to have additional resources at the OST level so that we can use these people more flexibly, and look at all the procurements and all the modes rather than designate one person for each mode.

IMPLEMENTATION OF ACQUISITION POLICY GUIDANCE

Mr. **Lehman**. Why isn't the existing framework provided by OMB Circular A-109 and DOT Order 4200.14 adequate to solve these problems?

[The information follows:]

OMB Circular A-109 established the policy and framework for all Executive Departments and agencies to follow in acquiring Major Systems Acquisitions. DOT, as other departments have done, issued an Order to provide the operating administrations the policy guidance needed to carry out the objectives of A–109. The Department's Order, 4200.14B, dated January 1983, has been completely rewritten and reissued on April 20, 1990, taking into account the lessons learned since it was initially issued. It provides for increased acquisition planning and more rigorous internal reviews at the operating administration level. We believe these steps address many of the concerns about the major acquisition process.

ACQUISITION OVERSIGHT WITHIN OST

Mr. LEHMAN. As the acquisition executive for the DOT, you are responsible for approving major acquisitions at critical milestones. Do you have adequate resources and authority to conduct those reviews, and if so, why do we still see programs rushed into production with inadequate designs, lawsuits for delay and disruption, and spare parts problems, to name only a few, including the Falcon jet?

Ms. CHAO. In response to your question about whether we have adequate resources, we do have this request for one FTE for procurement and I think that will be quite helpful.

Obviously, we certainly do like to see all procurement activities to proceed in an efficient and also smooth fashion, but the major procurements that FAA now engages in, as does the Coast Guard, are so complicated and involve technological implications as well as the process of going through the procurement. And we are always trying to balance, a fair and open process for all bidders with trying to have an efficient process as well.

Sometimes it takes a lot of balance.

Mr. LEHMAN. Are you trying to say you have the responsibility but not the resources necessary to fulfill that responsibility because of the complexity of the procurement——

Ms. CHAO. No, I just think the procurements themselves are very complicated. We are dealing with complicated equipment. It has just become very complicated and very technical.

Mr. LEHMAN. You have the responsibility but do you have the authority to exercise that responsibility?

Ms. CHAO. The responsibility that I have is primarily through chairing of this TSARC panel which oversees major projects of a certain dollar amount, at key points that reveal that there is reason for us to look at a particular project.

But in terms of sign-offs, a great deal of it resides with the modes, so the senior contracting officer is actually with the modes.

Mr. LEHMAN. Do you ever refuse or condition your approvals?

Ms. CHAO. Yes, we have given conditional approvals in the past. That is not to say that the project is not good, but through particular circumstances involved in each project there might be approvals given on a conditional basis to maintain control or perhaps there are other aspects, information that is not available at the time.

CONDITIONAL APPROVALS

Mr. LEHMAN. Give us for the record an example of approvals that you have exercised.

[The information follows:]

Examples of conditional approvals include:

Advanced Automation System (AAS)—Granted a conditional approval for full production to permit acquisition phase contract to be awarded. The condition required

FAA to brief the Deputy Secretary on results of operational testing of each AAS segment before proceeding with production phase of the segment.

Buoy Tender Replacement—Approval was granted conditionally to proceed through concept exploration. The conditions identified several actions that needed to be completed before the Department would consider approving the next key decision point.

Aerostat—Continued operation of the Sea-Based Aerostat was approved conditionally. The conditions required Coast Guard to reverify the mission need before exercising out-year options, in view of potentially changing roles of Coast Guard and DOD in drug interdiction.

LIST OF MAJOR CG/FAA ACQUISITION PROGRAMS

Mr. **Lehman**. Also for the record, please provide a listing of FAA and Coast Guard programs meeting the criteria of a major acquisition, provide the date of your last milestone review, and explain the type of approval granted.

[The information follows:]

Program	Agency	Milestone [1]	Date of approval
Advanced automation system (AAS)	FAA	Conditional approval/limited production	7/25/88
Airport surveillance radar (ASR-9)	FAA	Full production	5/13/82
Air route surveillance radar (ARSR-4)	FAA	Full production	8/18/87
Meteorologist weather processor (MWP)	FAA	Full production	9/13/88
Real time weather processor (RWP)	FAA	Full scale development	9/13/88
Computer resources nucleus (CORN)	FAA	Full production	1/19/89
Flight service automation system (FSAS)	FAA	Full production	4/13/87
Microwave landing system (MLS)	FAA	Full scale production	12/06/88
Mode S	FAA	Full production	3/07/83
Radio communication link (RCL)	FAA	Full production	3/24/84
Radio Control Equipment (RCE) Program	FAA	Full production	11/10/83
Terminal Doppler wether radar (TDWR)	FAA	Full production	9/04/87
Voice switching and control system (VSCS)	FAA	Full scale development	2/26/85
WLB/WLM buoy tender replacement	USCG	Concept explanation	7/15/88
Patrol Boat Replacement Program	USCG	Approved to build 1 prototype	1/11/89
Polar icebreaker replacement	USCG	Design Concept (program transferred to U.S. Navy).	7/29/85
HH-60J medium range recovery helicopter (MRR)	USCG	Full production	3/24/86

[1] These milestone reviews are part of the OMB A-109 and DOT TSARC process. Periodic reviews (generally quarterly) are held for these programs with FAA/USCG/OST as appropriate.

FIXED-PRICE CONTRACTS

Mr. **Lehman**. Both FAA and the Coast Guard prefer to use fixed-price contracts for major procurement. However, the Federal Acquisition Regulations call for restraint in the use of fixed-price contracts when design or development work is not completed and significant development risks remain.

The DOD has run into major problems by excessive use of fixed-pricing, and they have now imposed more strict review of contract type. Do you have similar concerns, and, if not, why? You are doing the same thing in the FAA and the Coast Guard that got the DOD in trouble.

Ms. **Chao**. Obviously, our philosophy is that fixed price contracts should be used wherever appropriate on a case by case basis. When contracts are poorly conceived and executed, the contractor is going to be able to assert some legitimate claims that will result in price increases.

We unfortunately have an example of that in the Coast Guard which we are fully cognizant of. We don't think that is a reason for not using fixed price contracts but that we have to manage them better and using fixed price contracts in appropriate situations. Where there is good contract definition, good management will be the key determinant in the success of the program.

OTHER PROCUREMENT PROBLEMS

Mr. LEHMAN. The DOD also had major problems resulting from a backlog in undefinitized contractual actions, UCAs, and unpriced orders, which undercut the government's contract negotiating position and result in higher costs. The IG has found similar problems in some DOT modes. What is your office doing to solve this acquisition problem?

[The information follows:]

The Department of Transportation has a continuing problem, but not of the magnitude of the DOD in timely definitization of unpriced actions. The Department continues to manage this problem through more frequent Acquisition Management Reviews (AMR) and follow-ups. For instance, the latest AMR conducted in the FAA Headquarters Acquisition office resulted in findings that letter contracts and change orders were not being definitized in a timely manner. As a result, FAA established an automated data base for the sole purpose of tracking undefinitized actions and their projected schedules for definitization. This data base will give the FAA managers an important tool to ensure that unpriced actions are definitized in a timely manner.

We will contine to use the AMR process as a tool to deal with these issues. If the results of our reviews show that additional policy guidance is required, appropriate action will be taken.

FAA'S PROCUREMENT PROBLEMS

Mr. LEHMAN. Last year, you stated that you were particularly concerned that the FAA's acquisition process was not timely or responsive to the needs of the agency. Could you elaborate on that statement, and is that still the case?

Ms. CHAO. Well again, Admiral Busey has set up an executive director for acquisitions. We hope the new person and Admiral Busey's expertise in procurement as well, will go a long way toward remedying that issue. I believe the Admiral testified that he will continue to look at this issue.

FAA ORGANIZATIONAL CHANGES

Mr. LEHMAN. The FAA has announced some organizational changes which are designed to strengthen their procurement process. Have you reviewed those plans, and do you find them satisfactory to fully address the FAA's problem?

[The information follows:]

FAA's recent changes to their acquisition organization should improve the quality of FAA acquisitions and streamline the process.

Establishing an Executive Director for Acquisition should focus the decision making process, thereby facilitating quicker action. The changes to the program manager concept will improve accountability, streamline decision making, and permit FAA to respond more quickly to contract problems that arise.

The Executive Director for Acquisition plans to establish an ASARC process to parallel DOT's TSARC. This should improve FAA's internal decision making on major acquisition by providing more structure to the process and identifying programs and program issues earlier on. These changes to FAA's acquisition organization are meaningful steps in responding to recent GAO and OMB observations.

COAST GUARD'S PROCUREMENT PROBLEMS

Mr. **Lehman**. What are the causes of the Coast Guard's continuing procurement problems, and would you agree that the rotational policies of the military staff are a significant contributor?

Ms. **Chao**. I think certainly the Coast Guard's acquisition problems are undeniable but I don't think they are any worse than any of the other departments or agencies that we have seen in terms of dealing with very complicated systems. The Coast Guard is involved with procuring complicated electronic systems, procuring aircraft and ships.

These acquisitions, by their very nature, have difficulties and have a very long time table. The Coast Guard I have been told compares favorably with other agencies including DOD in the way it acquires hardware. Obviously, the Coast Guard will continue to gain the experience and apply lessons it has learned in the past so that problems are not repeated.

Personally, I don't think the rotation of the military personnel results in a major problem. While there is a certain loss of program continuity, obviously the whole purpose of rotation of military personnel fulfills other purposes than just acquisition.

Also there are job opportunities, for example, and the needs of the military missions. Also the Coast Guard, when there is a transition period which occurs every May-June of every year, and we are coming to one now, there is a very orderly process for the transition.

There is overlap, systematic handling of responsibilities from the old to the new. So I don't think the rotation of contracting duties creates serious problems.

Mr. **Lehman**. You are not pushing the Coast Guard to use more civilian staff for acquisition to stabilize and maintain expertise?

Ms. **Chao**. In fact civilians already make up a large part of the contracting and oversight staffs, 54 percent I am told. So this again provides the continuity for the support functions when there is this transition going on. The Coast Guard has worked very hard to integrate the civilian work force into their programs.

TRANSPORTATION TRUST FUNDS

Mr. **Lehman**. In trust funds, you told us last year that the common perception that the transportation trust funds were used to hide the deficit problem were a "misunderstanding". Is that still your view, and would you explain why?

Ms. **Chao**. Nothing pleases me more than to appear before this committee because I think we all think the same way. Many do believe that the trust funds are used to hide the deficit. It has been a constant battle in the public arena throughout this past year to reverse the perception that the cash balances of the trust funds are held hostage and used to reduce the deficit. Obviously we do not believe that is the case.

The unified budget deficit is the difference between total revenues and the spending of the budget. It is a cash flow calculation which excludes cash balances. It does not count interest payments as revenue because interest payments are considered inter-governmental transactions.

The specific deficit impacts are as follows: in the Highway Account of the Highway Trust Funds, spending exceeded revenues by $6.6 billion between 1982 and 1989. In the Transit Account of the Highway Trust Funds revenues exceeded spending by $4.3 billion between 1982 and 1989.

In the Aviation Trust Fund revenues have exceeded spending by about $2.2 billion during the same period. It should also be noted that the excess of revenues versus spending in the transit and aviation area has been due to statutory restrictions and not so-called deficit reduction gimmicks. In the transit case the authorized spending levels have been below the level of annual tax receipts. In aviation the penalty provision restricted the amount of trust funds that could be used to finance FAA's budget and forced the General Fund to pay the difference.

If the transportation trust funds were taken off budget and exempted from Gramm-Rudman, spending from the programs financed by the trust funds would not be subject to the normal congressional budget process controls.

Greater spending for trust fund programs would likely occur which in turn would increase the total of the federal deficit. So removing the trust fund from the Gramm-Rudman calculations of the deficit would in all likelihood increase the sequester reduction of the other domestic programs.

AVIATION TRUST FUND

Thank you for the opportunity to say that.

Mr. **Lehman**. Regarding the aviation trust fund, you also stated that "I think the real question that we should be looking at is not taking the trust fund off budget but fixing the basic problem—the penalty provision. If that is done, I think the surplus will be drawn down." Would you support taking the trust funds off budget, and if not, why not?

Ms. **Moore**. As point one, we are proposing to bring the trust fund balance down.

Mr. **Lehman**. Do you think that will happen?

Ms. **Moore**. We certainly hope so, sir. We need everyone's help to help make it so. As far as taking the trust funds off budget, no, we would not support that. Again, I think the control and the reality that comes to bear to make these hard spending choices is appropriate.

I think that there is a balanced approach to achieving the goal we all share of bringing down that trust fund balance and assuring adequate spending for the Federal Aviation Administration.

Certainly we have seen since 1982 to 1989, $35 billion in spending for FAA versus $20 billion in user fee revenues. I think there are better ways to address that problem.

Mr. **Lehman**. A lot of people think that taking trust funds off budget will be a windfall for highways and airports and everything. We are going to have an obvious surprise if we don't have a battle at the end of this year over one or both of them. We will need your help on both of them.

Ms. **Chao**. We look forward to working closely with you on that.

Mr. **Lehman**. It is a tough sell.

TRANSPORTATION TRUST FUNDS OFF-BUDGET

Mr. **Lehman**. We hope we can count on you to maintain your position on this. Would taking the aviation and highway trust funds off budget result in more funding being made available to solve the infrastructure problems in air and highway travel? Why or why not?

[The information follows:]

Taking the trust funds off budget would not necessarily increase funding for infrastructure. On one hand, taking the trust funds off budget would exempt them from the Budget Resolution and Section 302 (Budget Act) allocations. Technically, this situation could eliminate the pressure and spending constraints now generated by the "302" process.

However, increased spending would not automatically result. Appropriations Committee would still have jurisdiction because liquidating cash would be required for contract authority programs and direct appropriations would be required for FAA, Facilities and Equipment and Operations accounts. The Appropriations Committees would also have the opportunity to impose obligation limitations. Given this jurisdictional split, it is likely that the Appropriations Committees would continue to raise issues of budgetary and program analysis which could result in constraining the level of annual spending.

TRANSPORTATION TRUST FUNDS

Mr. **Lehman**. Please expand on your answers for the record, and include a copy of OST's recent fact sheet on transportation trust funds.

[The information follows:]

A copy is provided for the record of background information on the transportation trust funds which the Department sent to major editorial boards.

U.S. Department of Transportation
Office of the Secretary of Transportation

400 Seventh St. S.W.
Washington, D.C. 20590

January 26, 1990

Dear Editor:

Next Monday, the President will announce his budget proposals for fiscal year 1991, which begins October 1. At that time, we will provide you with information about the proposals for the agencies in the Department of Transportation. As background for you in advance of next week's announcements, I am enclosing fact sheets on the highway and aviation trust funds and on the history of funding for this Department.

As you no doubt realize, a great deal of concern has been expressed about the balances in the transportation trust funds. There is a perception that the federal government is building surpluses in the trust funds to reduce the federal deficit. I believe the facts are to the contrary, but the issues are complex and difficult to explain.

There is a surplus in the aviation trust fund -- not because we've failed to increase spending by the Federal Aviation Administration, but because we have been legally constrained in using the trust fund to finance FAA operations. We have funded those critical expenses -- the salaries of air traffic controllers and safety inspectors, and the cost of leasing telephone lines to get flight data to FAA's control facilities, for example; but we have had to pay most of those expenses from the General Fund. Aviation users are getting more than they are paying for, but at the expense of the general taxpayer.

The truth about the Highway Account of the Highway Trust Fund is different: it has a cash balance of over $10 billion, but there are commitments against that balance in excess of $30 billion. Bills for highway projects actually come in over several years, so the Highway Account has been leveraged in this way, with reliance on future revenues as permitted by law.

I hope you will take a few minutes and review the trust fund fact sheets. Given the reliance on user fees to support transportation investments, it is important to understand the truth about the trust funds. An understanding of how the trust funds work and what the balances mean will help enlighten the discussion that will begin next week on the President's budget proposals.

Sincerely,

Kate L. Moore

Kate L. Moore
Assistant Secretary for Budget and Programs

Enclosures

AIRPORT AND AIRWAY TRUST FUND

Question: Isn't the government using money collected from the passenger ticket tax and other aviation taxes to reduce the federal deficit rather than for aviation purposes?

Answer: No. Government spending for aviation, which has grown significantly in recent years, has far exceeded payments into the aviation trust fund. Over the period 1982 to 1989, $35 billion has been spent by the Federal Aviation Administration (FAA), while only $20 billion has been collected from aviation user fees and deposited into the trust fund. The difference has had to come from the General Fund and has constituted part of the Nation's deficit problem.

In 1990, the government expects to collect about $3.9 billion in aviation taxes. Total aviation funding will be $7.1 billion, far exceeding the taxes collected.

Question: Has this money truly been invested in improving the system?

Answer: Yes, it has. The growth in capital programs has greatly exceeded the growth in operations funding. For example, the program to modernize the air traffic control system has increased from $261 million in 1982 to $1.7 billion in 1990. Federal airport grant funding has increased from $450 million to $1.4 billion, and Research has increased from $72 million to $170 million. During this same period, operations funding has grown from $2.3 billion to $3.8 billion.

Question: If there has been all this growth in spending, why has the aviation trust fund surplus increased from $3 billion at the beginning of 1982 to $6.9 billion at the end of the last fiscal year?

Answer: Despite these significant budget increases, the aviation trust fund surplus has continued to grow because of a provision in existing law, known as the "penalty provision." Application of this provision has effectively limited spending from the trust fund mostly to capital programs (such as grants for airport construction, purchase of air traffic control equipment, and research) and severely restrained the use of the trust fund to pay for important operational activities, such as salaries for air traffic controllers and those who maintain critical air traffic control equipment. Since monies collected from passengers and other aviation system users were legally prevented from being applied to these necessary expenses, the general taxpayer had to step in and pay the difference.

Question: Do you mean that the general taxpayer is paying a major portion of FAA's bills, while the taxes collected from aviation users are sitting unused in the trust fund and collecting interest?

Answer: Yes. The result of the penalty provision application has been that, in the last eight years, the trust fund has only funded about 57 percent of FAA's budget -- 43 percent has been supported by the general taxpayer. Between 1982 and 1989, some $5.3 billion for FAA operations that would otherwise have come from the trust fund was, instead, drawn from the General Fund because of the penalty provision. Since that amount stayed in the trust fund, it earned interest totaling $1.5 billion over the period. So, from 1982 to 1989, about $6.8 billion is directly attributable to application of the penalty provision, nearly equaling the $6.9 billion surplus in the trust fund at the end of 1989. If trust fund support of operations had been at the full level contemplated by Congress in setting the aviation user fee levels, the trust fund surplus at the end of 1989 would have been on the order of $100 million.

Question: How does the so-called "penalty provision" work? Why did Congress create it?

Answer: First, it's important to understand how Congress makes funds available for federal agencies to spend. Congress passes authorizing legislation, usually covering several years, which establishes the maximum amount of funding that will be available for each year. Then, in separate annual legislation, Congress appropriates the funds that an agency will actually be able to spend. The appropriation may not exceed the authorization and is usually less.

The "penalty provision" was added to the authorizing legislation by the committees that develop that legislation to encourage the appropriations committees to actually appropriate the full amount authorized for FAA's capital programs. If they do not, the "penalty provision" requires a reduction of $2.50 in the amount of money that would otherwise be drawn from the trust fund for FAA operations for each $1 shortfall in the capital programs. In fact, appropriations for the capital programs did fall short of authorizations, and trust fund support of operations was significantly reduced as a result.

Question: You say that the trust fund has covered about 57 percent of FAA's budget; what portion should come from the trust fund?

Answer: FAA's cost allocation studies show that services to civil aviation users -- those that pay the aviation user fees -- account for 85 percent of FAA's overall costs. The remainder is accounted for by military and other public uses. So the trust fund should cover 85 percent of FAA's budget, and the General Fund, 15 percent, since the general taxpayer is the beneficiary of public use of the system.

U.S. Department of Transportation January 1990

HIGHWAY TRUST FUND

Question: Why haven't we spent the more than $10 billion cash balance in the Highway Account of the Highway Trust Fund?

Answer: The cash balance is only half the story: the federal government has incurred obligations to pay bills out of the Highway Account that exceed the cash balance.

Question: Do you mean the cash balance is like having money in the bank with numerous checks already written against that balance?

Answer: Yes. As of September 30, 1989, there was $10.6 billion in cash in the Highway Account, but there were outstanding bills totaling $21.6 billion for highway and bridge projects that have already been approved but not yet completed. There was an additional $10.1 billion in spending authority that has been distributed to the States and not yet committed to specific projects, but which will eventually be committed and result in bills to be paid.

The Highway Trust Fund can be leveraged in this way because payments for construction projects stretch out over several years. The law requires user fee revenues to be continued two years beyond the authorization period. The result is that we are counting on future revenues to pay for the bills we have already incurred.

Question: Even if the government didn't distribute any new spending authority to the States, would we still have to collect highway user fees?

Answer: Yes, for about a year and a half beyond this fiscal year.

Question: In recent years, have the user fees collected actually been spent?

Answer: Yes. Since 1982, expenditure levels have exceeded revenue levels by nearly $7 billion. Interest income to the Highway Account during this period has totaled nearly $8 billion and covered the difference between expenditures and receipts.

Question: Some argue that we should spend down the Highway Account balance -- is this reasonable?

Answer: There is a risk in spending down the balance too far in that actual revenues may not match projections and the trust fund might not be able to pay its bills. The law recognizes that possibility and limits the "too far" to two future-years of income; currently, we are at about one and one-half years of future income.

Another important consideration in setting annual Federal-aid highway spending levels in the current budget environment is the effect they have on the federal deficit: an increase in spending without an increase in revenue only increases the deficit.

Question: If it weren't for the deficit effects, could the Highway Account support a larger program?

Answer: Yes. If we were to make full use of two years of future income, as the law provides, obligation levels could be increased by about 35 percent above this year's level for three years. That would reduce the cash balance by about $6 billion by the end of 1993. After that period, though, the obligation level would have to be reduced or highway user fees raised.

But we can't avoid the deficit impacts: a spending increase from the Highway Account would have to be offset either with spending reductions or tax increases elsewhere in the federal government in order to achieve the statutory targets for federal deficit reduction.

U.S. Department of Transportation January 1990

History Of Funding

DEPARTMENT OF TRANSPORTATION

APPROPRIATIONS AND OBLIGATION LIMITATIONS

$ MILLIONS

MODE	FY 1988		FY 1989		FY 1990	
	President's Budget	Enacted	President's Budget	Enacted	President's Budget	Enacted
Federal Highway Admin.	12,873	11,967	11,496	12,242	11,412	13,560
Nat. Highway Traffic Safety Admin.	218	221	223	225	235	231
Federal Railroad Admin.	17	668	57	672	61	710
Urban Mass Transportation Admin.	1,504	3,215	1,522	3,155	1,565	3,048
Federal Aviation Admin.	5,803	5,714	6,436	6,390	7,393	7,140
U. S. Coast Guard	2,739	2,694	2,976	2,987	3,468	3,060
Maritime Admin.	120	76	472	177	363	154
St. Lawrence Seaway	0	11	0	11	0	11
Office of the Inspector General	30	28	30	29	32	32
Research and Special Prog. Admin.	23	21	25	24	27	27
Office of the Secretary	68	67	69	95	71	98
Total	23,395	24,682	23,306	26,007	24,627	28,071

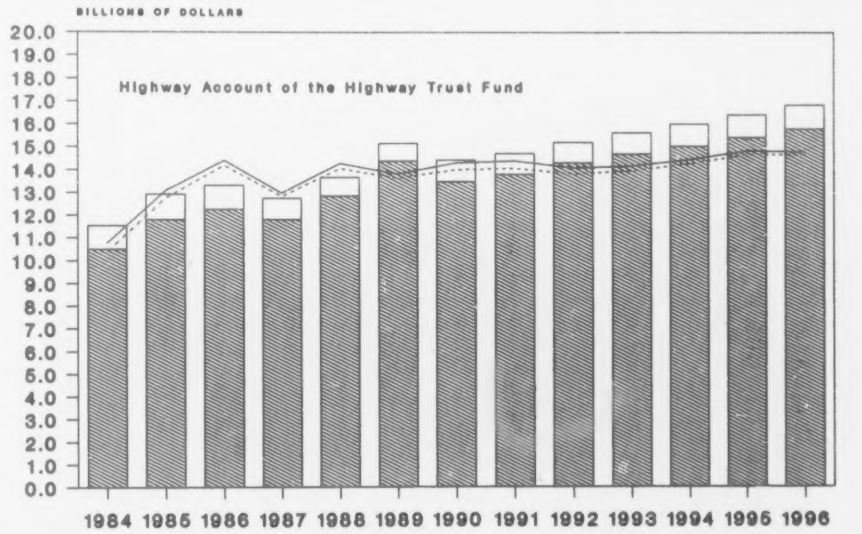
NOTE: Coast Guard figures include funds appropriated in the Department of Defense appropriations acts for tranfer to Coast Guard.

HIGHWAY TRUST FUND OUTLAYS AND REVENUES

Mr. LEHMAN. Please also update for the record the bar chart showing highway outlays versus trust fund revenues, as shown on page 402 of last year's hearing record.

[The information follows:]

HIGHWAY OUTLAYS VS TRUST FUND REVENUES



	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
TOTAL HIWAY OUTLAYS	10.8	13.1	14.4	13.0	14.3	13.8	14.3	14.4	14.1	14.1	14.4	14.8	14.8
TRUST FUND OUTLAYS	10.4	12.8	14.2	12.8	14.0	13.6	14.0	14.0	13.8	13.9	14.2	14.7	14.6
GF INTEREST PAYMENTS	1.0	1.1	1.1	0.9	0.8	0.8	1.0	0.9	0.9	0.9	1.0	1.0	1.0
USER TAX REVENUES	10.5	11.8	12.3	11.8	12.8	14.4	13.4	13.8	14.3	14.7	15.0	15.4	15.8

▨ USER TAX REVENUES
☐ GF INTEREST PAYMENTS
----- TRUST FUND OUTLAYS
— TOTAL HIWAY OUTLAYS

SOURCE: U.S. Dept. of Transportation

AVIATION ISSUES

CABIN AIR QUALITY STUDY

Mr. LEHMAN. DOT's cabin air quality study was completed in February of this year. Would you summarize your findings for us?

[The information follows:]

The Study indicated that non-smoking flight attendants have been at some risk of lung cancer. If the average career consisted of 960 hours per year for 20 years, aboard airplanes were smoking was permitted, 13 premature deaths would have been expected among the 85,000 flight attendant population. The new Congressional ban, however, reduces this risk to about 3 premature deaths over 20 years. Risk for frequency fliers is about 1/10 of these magnitudes.

On smoking flights, some smoke invades the no smoking section, primarily in the three boundary rows adjacent to it. Levels of smoke in the boundary section were found to to average 13% of the levels in the smoking section. The irritation that this would cause nonsmoking passengers could not be quantified.

Regarding cosmic radiation, the cancer risk it presents to cabin crew and frequent fliers is considerably higher than the risk due to exposure to smoking—90 to over 1,000 premature deaths per 100,000 persons flying 960 hours per year for 20 years. (There is also particular risk to the unborn—fetal exposure during weeks 8–15 of gestation greatly elevates the risk of retardation.) The health hazard from exposure to cosmic rays has been widely known); however, a panel of the National Academy of Sciences recently tripled the estimate of health risk. FAA is continuing to investigate the concerns over cosmic radiation. FAA has prepared an advisory circular to inform passengers and crew of the new level of risk, and this should be out within the next few weeks.

The level of microbial aerosols (bactgeria and fungi) is low relative to other indoor environments where measurements have been taken.

The most unexpected finding was that levels of C02, a byproduct of respiration, exceeded accepted standards on 87 percent of the flights. Fortunatley, there is no death hazard associated with these levels, but some discomfort may occur.

EXECUTIVE SUMMARY OF CABIN AIR QUALITY REPORT

Mr. LEHMAN. For the record, please provide a copy of the executive summary of that report, and a discussion of any future plans of the department in this area.

[The information follows:]

DOT/P-10
2/20/90

U.S. Department of Transportation

Study of Airliner Cabin Air Quality

Summary

BACKGROUND

In December 1989, an independent contractor for the U.S. Department of Transportation (DOT) completed its year long study of the air quality in airliner cabins. The purpose of this work was to develop information on exposure to various pollutants that were suspected of representing a health risk for airliner cabin occupants. These pollutants included tobacco smoke, carbon dioxide, microbial aerosols, ozone, and cosmic radiation. The study was conducted during the period when smoking was banned on scheduled commercial flights having durations of two hours or less, pursuant to Public Law 100-202, and preceded passage of Public Law 101-164, which bans smoking on practically all scheduled domestic flights. Geomet Technologies, Inc., of Germantown MD, performed the study for the Department.

MEASUREMENT

Overall Procedure - In order to assure that the conditions sampled were fully representative of the in-flight conditions that the public actually experiences, yet not cause undue alarm to passengers, measurements were taken using small, unobtrusive instruments, packaged in compact carry-on bags--of the type typically carried because they can be stowed under airliner seats. Technicians booked passage as ordinary revenue passengers on a total of 92 flights between April and June of 1989: 23 nonsmoking and 69 smoking flights, including eight on international routes. Flights were selected randomly out of the schedule for all flights between the nation's 70 largest airports, in such a way as to be statistically representative of the airlines, types of aircraft, flight durations, and times-of-day for departures.

On smoking flights, four technicians were positioned in coach, one each in the smoking section, the no-smoking boundary region (the three nonsmoking rows nearest the smoking section), the middle of the no-smoking section, and the part of the no-smoking section that was the most remote from the smoking section. On nonsmoking flights, technicians were placed at two locations, the middle and the rear of the plane. The instrument package was typically placed on the technician's lap or lap tray to obtain measurements of contaminants most representative of passenger breathing levels.

Measurement of Smoking By-products - There are literally hundreds of by-products left in the air after smoking, in the form of gases and suspended particles, which are collectively termed environmental tobacco smoke (ETS). To establish the levels of ETS in airliner cabins, three of these by-products were sampled: nicotine and carbon monoxide in their gaseous form, and respirable suspended particles (RSP). RSP was measured using two different types of instruments--optical, and gravimetric--of which the optical is more accurate when concentrations are low. In the case of RSP, because the instruments measure suspended particles from all sources, including sources other than ETS, it was necessary to use RSP levels measured on non-smoking flights to establish a base line from which to compare the higher levels attained when smoking was permitted. Counts of people smoking and of cigarette butts left in ashtrays were also maintained concurrently.

Other Measurements - Levels of carbon dioxide (CO_2) and ozone were measured throughout the flight. Temperature, relative humidity, and cabin air pressure were also monitored. There was no need to sample cosmic radiation, since there are already well-based methods for forecasting its levels (risk analyses were conducted, however, and are described below). Samples of microbial aerosols (bacteria and fungi) were taken near the end of each flight, prior to descent, and later analyzed.

FINDINGS

Environmental Tobacco Smoke - The findings regarding levels of ETS contaminants are summarized in Exhibit 1. It may be seen that concentrations of RSP were highest in the smoking section, averaging near 175 micrograms per cubic meter ($\mu g/m^3$) compared to a background level of 35 to 40 $\mu g/m^3$ on nonsmoking flights. The differences between the no-smoking sections of aircraft where smoking was allowed versus nonsmoking flights were small, except that levels of smoke in the boundary section were found to be about 35 to 50% higher than levels on nonsmoking flights. It may be seen that this migration of ETS contaminants into the boundary region was even more pronounced when considered in terms of one-minute peak RSP concentrations. Measured nicotine levels also show some penetration but are less conclusive because the levels of nicotine were frequently too low to be measured by the miniaturized instruments used.

Carbon Dioxide - The relatively high CO_2 levels found are indicated in Exhibit 2. On 87 percent of the flights they averaged over 1,500 parts per million (ppm), substantially higher than the 1,000 ppm level that the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) associates with satisfaction or comfort.

Ozone - Ozone levels were relatively low--an order of magnitude below the FAA three-hour standard of 0.10 ppm and never exceeded this level.

Microbial Aerosols - Measured bacteria and fungi levels were in all cases below the levels generally thought to pose a risk of illness.

RISK ASSESSMENT

ETS - Estimates of lifetime lung cancer risk for nonsmoking flight attendants and passengers were developed by applying the measured RSP concentrations to well-known health-effects models from the scientific literature. Two such models were used, one which assumes that risk is linearly related to exposure (phenomenological model) and one which assumes that the development of cancer occurs in stages, and takes into account the age at which exposure begins (multistage model).

To translate the results of these models into cancer risk, it was necessary to make certain assumptions about the numbers of hours flown by passengers and crew, and the duration of their careers. For flight attendants a typical career was assumed to start at age 25 and consist of 960 hours per year for 20 years, in airliner cabins where smoking was permitted. A frequent flying business passenger was assumed to fly for 480 hours per year for 30 years, starting at age 35.

Resultant estimates of lifetime lung cancer risk (i.e., premature deaths per 100,000 persons at risk) for nonsmokers exposed to ETS are summarized in Exhibit 3. The estimated risks were highest for cabin crew members, who fly more frequently, spend a larger fraction of their time in the smoking section, and because of their physical activity, exhibit a higher respiratory rate than nonsmoking passengers. Estimates from the two models were quite consistent except in the case of business passengers; for this group, the assumption that frequent flying begins at a later age resulted in lower estimates using the multistage model.

As may be seen in Exhibit 3, estimated lifetime lung cancer risks for nonsmoking cabin crew members ascribable to ETS exposure ranges from 12 to 17 premature deaths per 100,000 individuals. Were smoking unrestricted, 14 premature deaths due to cancer would be expected over the 85,000 flight attendant population. The forth-coming Congressional ban, however, has ruled out smoking on over 99% of the domestic flights and 92% of all flights by U.S. carriers (including international), which reduces this risk to about 3 to 4 premature deaths over 20 years. Risk for nonsmoking frequent fliers is about 1/10 of these magnitudes, and for casual passengers is slight.

Cosmic Radiation - Exposure to cosmic radiation depends on the altitude and latitude of each flight taken; data defining this exposure has been widely published. The estimated lifetime cancer risks for a set of typical flights may be seen in Exhibit 4. Risk for cabin crew members range from 90 to over 1,000 premature deaths due to cancer per 100,000 individuals flying for 20 years on domestic flights and from 220 to over 500 premature deaths per

100,000 individuals flying for 10 years on international flights. Comparable figures for passengers flying 480 hours per year range from 45 to over 500 premature deaths for flying 20 years on domestic flights and from 110 to over 250 deaths for flying 10 years on international flights. In addition, there is particular risk to the unborn--fetal exposure during weeks 2-26 of gestation substantially elevates the risk of abnormalities or retardation.

Conclusions - Of the contaminants studied, only the levels of ETS and cosmic radiation were sufficient to pose a health hazard and this hazard was principally confined to cabin crew and very frequent flyers. The other pollutants pose no health problem although levels of CO_2, a by-product of respiration, exceed comfort criteria.

MITIGATION MEASURES

With regard to mitigation of ETS, procedural options such as restriction of smoking and technological options such as increased ventilation were assessed. Of these options, a total ban on smoking was estimated to provide the greatest benefit at least cost (this has essentially been realized for domestic flights with passage of P.L. 101-164).

Exposure management strategies are considered the only viable option for reducing exposures of cabin crewmembers and passengers to cosmic radiation. This would involve careful scheduling of personnel to avoid persistent exposure to higher cosmic radiation levels generally associated with high-altitude flights and flight paths crossing extreme northern or southern latitudes.

Strategies to reduce CO_2 could include removal by sorption, or increased ventilation, the latter involving some fuel penalty.

EXHIBIT 1. AVERAGE CONCENTRATIONS OF ETS CONTAMINANTS ON SMOKING AND NONSMOKING FLIGHTS

Parameter	Smoking Flights[1]				Nonsmoking Flights	
	Smoking Section	No-smoking Section				
		Boundary Rows	Middle Rows	Remote Rows	Rear Rows	Middle Rows
Particle-Phase Measurements						
Average RSP[2], $\mu g/m^3$	175.8	53.6	30.7	35.0	34.8	40.0
Peak RSP[3] (1 minute), $\mu g/m^3$	883.4	211.8	68.7	69.6		
Gas-Phase Measurements						
Average Nicotine, $\mu g/m^3$	13.43	0.26	0.04	0.05	0.00	0.08
Percent Nicotine Samples Below Minimum Detection	4.3	54.4	82.6	66.7	100.0	78.3
Average CO, ppm[4]	1.4	0.6	0.7	0.8	0.6	0.5
Peak CO (1 minute), ppm	3.4	1.4	1.7	1.6	1.3	0.9

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[1] An average of 13.7 percent of the passengers were assigned to the coach smoking section on monitored smoking flights.

[2] Average of gravimetric and optical measurement results; micrograms per cubic meter ($\mu g/m^3$)

[3] Optical method measurements

[4] ppm: parts per million

EXHIBIT 2. AVERAGE CONCENTRATIONS OF SELECTED POLLUTANTS ON SMOKING AND NONSMOKING FLIGHTS

	Smoking Flights		
Parameter	Smoking Rows	Middle Rows	Nonsmoking Flights
Average CO_2, ppm[1]	1562	1568	1756
Percent CO_2 Samples ≥ 1,000 ppm	87.0	88.1	87.0
Average Ozone, ppm	0.01	0.01	0.02
Percent Ozone Samples ≥ 0.1 ppm	0.0	0.0	0.0
Average Bacteria[2], CFU/m^3	162.7	131.2	131.1
Average Fungi, CFU/m^3	5.9	5.0	9.0

[1] ppm: parts per million

[2] CFU/m^3: colony forming units per cubic meter

EXHIBIT 3. ESTIMATED LIFETIME RISKS OF PREMATURE LUNG CANCER DEATH ASCRIBABLE TO ETS ON SMOKING FLIGHTS PER 100,000 NONSMOKING CABIN OCCUPANTS

Type of Flight/ Risk Model	Cancer Risk per 100,000 Cabin Occupants		
	Cabin Crew Member[1]	Business Passenger[2]	Casual Passenger[3]
Domestic Flights			
Phenomenological Model	12.06	0.83	0.11
Multistage Model	14.86	0.27	0.08
International Flights			
Phenomenological Model	13.46	0.61	0.08
Multistage Model	16.59	0.20	0.06

[1] Assumed to fly 960 hours per year for 20 years, starting at age 25.

[2] Assumed to fly 480 hours per year for 30 years, starting at age 35.

[3] Assumed to fly 48 hours per year for 40 years, starting at age 25.

EXHIBIT 4. ESTIMATED LIFETIME RISKS OF PREMATURE CANCER DEATH ASCRIBABLE TO IN-FLIGHT COSMIC RADIATION EXPOSURE PER 100,000 FLYING CABIN OCCUPANTS

	Cancer Risk per 100,000 Cabin Occupants	
Type of Flight/Path	Cabin Crew Members Flying 960 Hours Per Year	Passengers Flying 480 Hours Per Year
Domestic Flights[1]		
East-West (≤2 hours)	299 to 714	149 to 357
East-West (>3 hours)	988 to 1,026	494 to 513
North-South (≤2 hours)	90 to 526	45 to 263
North-South (>3 hours)	830	415
International Flights[2]		
Long, circumpolar (13 hours)	512	256
Medium, non-circumpolar (7 - 9 hours)	387 to 484	194 to 242
Short, non-circumpolar (≤3 hours)	220 to 291	110 to 146

[1] Assuming 20 years of flying.

[2] Assuming 10 years of flying.

AIRLINE INDUSTRY COMPETITION

Mr. LEHMAN. Increasing the level of competition in the airline industry has been a topic of concern for some time now. I believe that the eight largest carriers have about 90 percent of the business. Is that accurate, and is it a problem?

Ms. CHAO. We don't think this is a problem, because we believe it is not the number of carriers that is of great concern but the level of service. In our recently completed DOT study we found that service levels between city pairs is actually much greater today than at any time in the last 10 years. As an example: In 1979 the city pair markets that had more than three carriers servicing them comprised only about 28 percent of the city pair markets. In 1988, that percent rose to 55 percent. So 55 percent of the total air passenger travel is served by three or more carriers.

We believe there is greater flexibility and service offered on a city pair basis.

COMMERCIAL AVIATION MARKET SHARE

Mr. LEHMAN. For the record, provide statistics showing the commercial aviation market share of the major airlines, in order of rank.

[The information follows:]

Market share data of the ten largest air carriers are shown below, ranked on enplanements and operating revenue.

SYSTEM MARKET SHARES OF 10 LARGEST CARRIERS, BASED ON ENPLANEMENTS, CALENDAR YEAR 1989

Rank	Carrier	Enplanements in scheduled service (000)	Percent of total
1	American	72,359	15.9
2	Delta	68,200	15.0
3	U.S. Air [1]	61,152	13.5
4	United	54,919	12.1
5	Northwest	38,627	8.5
6	Continental	34,957	7.7
7	Trans World	25,150	5.6
8	Southwest	20,241	4.5
9	Pan American	17,174	3.8
10	Eastern	14,517	3.2
	All Other	46,396	10.2
	Total	453,692	100.0

[1] Includes Piedmont.

Source: Air Carrier Traffic Statistics Monthly, Twelve Months Ended December 31, 1989. Includes all carriers holding a section 401 certificate operating aircraft of more than 60 seats, or a maximum payload of more than 18,000 pounds. Enplanement data for scheduled service, operating revenue for all services, excluding cargo operations of Federal Express and Flying Tiger.

SYSTEM MARKET SHARES OF TEN LARGEST AIR CARRIERS, BASED ON OPERATING REVENUE, CALENDAR YEAR 1989

Rank	Carrier	Operating revenue (000)	Percent of total
1	American	$9,753	15.7
2	United	9,488	15.3
3	Delta	8,458	13.7
4	Northwest	6,307	10.2

SYSTEM MARKET SHARES OF TEN LARGEST AIR CARRIERS, BASED ON OPERATING REVENUE, CALENDAR YEAR 1989—Continued

Rank	Carrier	Operating revenue (000)	Percent of total
5	U.S. Air [1]	5,831	9.4
6	Continental	4,886	7.9
7	Trans World	4,493	7.3
8	Pan American	3,524	5.7
9	Eastern	1,918	3.1
10	Southwest	981	1.6
	All Other	6,265	10.1
	Total	61,904	100.0

[1] Includes Piedmont.

Source: Air Carrier Traffic Statistics Monthly, Twelve Months Ended December 31, 1989. Includes all carriers holding a section 401 certificate operating aircraft of more than 60 seats, or a maximum payload of more than 18,000 pounds. Enplanement data for scheduled service, operating revenue for all services, excluding cargo operations of Federal Express and Flying Tiger.

AIRLINE COMPETITION

Mr. LEHMAN. What is OST doing to promote a greater level of competition within the airline industry?

Ms. CHAO. Deregulation has spawned a whole new wave of passenger traffic in the last 10 years. As a result, air passenger traffic has more than doubled in volume, which has brought about congestion within the aviation system. What we need to do is increase capacity.

In our FAA reauthorization we have a proposal for passenger facility charges which we view as a very positive development for bringing additional revenues to help airports expand capacity.

AIRLINE COMPETITION TASK FORCE

Mr. LEHMAN. The airline competition task force was to complete its major findings by September 1989. What were those findings?

[The information follows:]

In general the study found that deregulation has worked and its benefits continue to flow to the traveling public. Any effort to reregulate airline fares or service would do more harm than good. More specifically:

Competition in city—pair markets has grown: In 1988, 55 percent of air passengers traveled in city pair markets served by 3 or more airlines. This is up from 53 percent in 1984 and only 28 percent in 1979.

Small markets have benefitted: Between 1978 and 1989 weekly flights for smaller cities grew by an average of 33 percent. Charlotte, N.C., is a good example. In 1979 Charlotte had nonstop service to 32 cities, including 8 classified as small. By 1989, nonstop service from Charlotte increased to 73 cities, including 16—or twice as many—small cities.

Real air fares have declined: Following increases during 1978-81, caused by an enormous rise in jet fuel costs, airline fares adjusted for inflation declined by 26 percent. About 90 percent of today's passengers benefit from discount fares.

Regional airline service has grown stronger: Between 1978 and 1988 the number of airports served by regional (commuter) airlines increased by 25 percent. During this period the regionals doubled their aircraft fleets and tripled their passenger traffic.

More and more varied airline services have become available: Responding to consumer needs and competitive pressures, the industry today provides an array of services unheard of a decade ago. Frequent flyer programs, computer reservations systems, and aggressive revenue management strategies are leading innovations which have broadened public choice and increased industry efficiency.

These positive gains notwithstanding, a few pockets of problems exist:

Air fares are higher in markets where a single carrier dominates: 698 U.S. travel markets—accounting for about 10 percent of domestic passenger traffic—are dominated by a single airline. Fares in these markets are, on average, about 14 percent higher than in competitive markets. Furthermore, at the nation's 8 least-competitive major airports, air fares are nearly 19 percent higher than the average for all other airports, but high fare traffic at these hubs account for only 4.1 percent of domestic traffic.

Congestion at major airports has increased: Following deregulation the airlines restructured routes to create central hubs where passengers could be gathered, transferred to other flights of the same carrier, and transported to their final destinations. While this "hub and spoke" system has enabled the industry to operate with greater efficiency, it has also increased congestion at some of the nation's larger airports.

AIR FARE LIMITS

Mr. LEHMAN. You have found that air fares were almost 20 percent higher at airports where one carrier dominates. Should we consider setting upper and lower limits on fares in such cities?

[The information follows:]

For the reasons stated below, we are opposed to setting limits on fares. The hub and spoke system, while leading naturally to carrier concentration at some airports, has produced more and better service and increased competition in most markets. The regulation of fares at concentrated airports would destroy these service and competitive benefits, would harm far more people than it would help (over 90 percent of airline passengers fly on discount fares), and in fact would probably harm the very people it would be intended to help—the high fare passengers who want air service available on short notice. If confronted with fare ceilings, carriers would attempt to maintain profitability by reducing the availability of discount fares for local passengers and (because fewer discretionary passengers would be flying) eliminating some service in major markets and perhaps totally eliminating service to the smaller spoke cities. Service availability is precisely what the high fare passenger is paying for. Fare floors would of course directly eliminate price benefits for many discretionary passengers and, by reducing total passenger demand, would also lead to less service.

AIRLINE ACQUISITION LEGISLATION

Mr. LEHMAN. A bill has been introduced in the House, H.R. 3443, which would require prior approval by the Secretary of Transportation for airline acquisitions. You oppose those provisions. Why?

Ms. CHAO. The Administration is strongly opposed to H.R. 3443 and also the Senate bill, S. 1277 pending on the Senate calendar. As you know, last November 8, Secretary Skinner, Treasury Secretary Brady, OMB Director Darman, and also CEA Chairman Boskin wrote a letter expressing their great concern about this legislation. In our view DOT has sufficient authority to act where an acquisition raises questions about the air carrier's fitness.

These bills address situations in which a non-airline carrier is trying to buy out current owners of an airline. Unlike the airline mergers, these situations have never been subject to DOT's prior approval. We do have existing authority under FAA, Title IV.

Mr. LEHMAN. As I remember the word was that if that was made part of our appropriations bill, that the Secretary would recommend a veto. Didn't that happen last year? Do you remember?

Ms. CHAO. Yes.

Mr. LEHMAN. The same thing may come up in our legislation this year. If we are to try to get a bill out, you will have to help us.

Ms. CHAO. We will do so. It is very unusual for four senior advisors to the President to address an issue together like that. So this is a very strong message.

AIRLINE MERGER APPROVAL

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

Enactment of these bills would be an inappropriate retreat from the policy of airline deregulation. We continue to monitor the "continuing fitness" of carriers through management changes, and we believe our existing statutory authority remains sound. We also have effective statutory authority with regard to foreign control of U.S. air carriers.

AIRLINE ACQUISITION GUIDELINES

Mr. LEHMAN. The Secretary has been criticized by some people for reviewing airline acquisitions on a case-by-case basis rather than setting acquisition guidelines. Why do you oppose setting general guidelines?

Ms. CHAO. I presume you are referring to the Northwest situation. I do not think, the Secretary is opposed to setting general guidelines, but obviously each case is very different. Let me address it this way: I understand the people who say there should be some general guidelines set because people who buy airlines or who are involved in such merger activities should have an indication of where the department is coming from.

On the other hand, the department views such mergers and acquisitions as highly case-specific. We do have a legislative history. There is a backlog of case law that will guide us as we go forward. We don't think any further general guidelines are necessary at this point.

AIRLINE MERGER FORECAST

Mr. LEHMAN. Some airline industry analysts believe that a new round of consolidation is just around the corner, and that only half a dozen or so major airlines will remain at the end of it. Do you agree with such a forecast?

[The information follows:]

There has been little airline merger activity since 1986. The only major acquisition in process is the proposed sale of Eastern's Latin American routes to American Airlines.

There is, of course, the possibility that a few of the weaker carriers will not be able to survive in the long term. For example, Eastern Airlines is currently struggling for its survival in a bunkruptcy proceeding.

Although the number of major national carriers could be reduced, it is important to recognize that intercarrier service competition between cities could at the same time increase.

We learned from the competition study that, although the number of carriers operating nationally declined between 1984 and 1988, the competition among the remaining airlines for passenger traffic between cities actually increased.

The following table reflects merger activity over the past few years:

	No. of mergers	No. of airlines operating large aircraft
1978	0	30
1984	0	38
1985	3	36
1986	8	32
1987	2	29

	No. of mergers	No. of airlines operating large aircraft
1988	2	25
1989	0	25

COMPUTER RESERVATION SYSTEMS RULEMAKING

Mr. LEHMAN. Your rulemaking concerning computer reservation systems was scheduled, by statute, for completion in November 1989. Was it completed, and if so, what are the major provisions?

[The information follows:]

The Department issued an Advance Notice of Proposed Rulemaking (ANPRM) last fall. We received 27 comments and several reply comments which we have been reviewing in our preparation of a Notice of Proposed Rulemaking (NPRM).

The major issues raised by the comments concern:

The CRS display of the services of other airlines,

The systems' ability to allow travel agents to obtain information and make bookings on other airlines as easily and reliably as they can on the airline operating the CRS,

The booking fees charged other airlines by CRS vendors,

The contractual terms used by vendors for agencies subscribing to their systems, and

The agencies' ability to use third-party hardware and software in conjunction with their CRS equipment.

The NPRM will set forth the Department's tentative findings on the issues raised in the comments. The Department fully intends to comnplete the rulemaking before the current rules expire at the end of CY 1990.

CRS RULE—DOJ COMMENTS

Mr. LEHMAN. In commenting on your proposed CRS rule, the Department of Justice stated its belief that booking fees and display bias were the primary causes of anti-competitiveness. Do you agree with them, and if not, why not?

[The information follows:]

In its comments filed in response to the Department's advance notice of rulemaking in the CRS proceeding, the Department of Justice stated its belief that booking fees and display bias were the principal manifestations of the market power of the airline owners of CRSs. The Justice Department contends that the owners' market power derives from several facts: the few firms competing in the CRS market, the unlikelihood of new entry into the CRS business, the features of the airline and CRS Businesses that force every major airline to make its services available in each system, and the airline owners' incentives to use their control of the CRSs to prejudice the competitive position of competing airlines. This Department will publish its tentative positions on these issues when it issues its notice of proposed rulemaking in response to the comments filed by the Department of Justice and the other parties.

Mr. LEHMAN. Mr. Coughlin.

INTERNATIONAL AVIATION AGREEMENTS

Mr. COUGHLIN. I had a couple of questions on aviation. H. Con. Res. 280, introduced by the leaders of the Public Works Authorizing Committee, "arch enemy" to Transportation Appropriations, urges the President and the United States Trade Representative to continue the traditional practice of negotiating international airline service agreements bilaterally, with individual agreements between the U.S. and each foreign country. The resolution proposes including civil air transportation services under the General Agreement on Tariffs and Trade, GATT, General Agreement on Trade in Services, GATS.

What is the position of the Administration?

Ms. **CHAO.** We do not have a position as of yet. There have been a number of groups speaking to this. The department is strongly concerned about the uniqueness of aviation in negotiation. We have certainly conveyed our strongly held views of the significance of including these two issues in the bilaterals.

Secretary Skinner has talked with Ambassador Hills about this as well.

FOREIGN OWNERSHIP OF U.S. CARRIERS

Mr. **COUGHLIN.** Would this create serious competitive disadvantages for U.S. airlines and open these airlines to foreign ownership and control?

Ms. **CHAO.** I think it could. Currently our negotiations are governed by orderly bilaterals. There is an element of reciprocity involved in all of this. To throw that into a multi-lateral process would be very confusing.

AIRLINE TICKETHOLDER PROTECTION

Mr. **COUGHLIN.** Senator Nancy Kassebaum and Representative Sherwood Boehlert have companion bills to force adoption of an industry-wide plan to reimburse ticketholders when airlines suspend service. Consumers are airlines' biggest creditors, holding on the average of $3 to $4 billion in outstanding tickets at any time. What is the position of the Administration? Is this protection necessary to help restore public confidence in the U.S. air transportation system, especially after Braniff failed?

Ms. **CHAO.** I remember when the Braniff failure occurred because I was at a meeting at the White House and I was pulled out of that meeting. Obviously the humans involved in the bankruptcy and the confusion of the passengers in the aftermath of that announcement is something that I think we feel we sympathize greatly with.

However, we don't think that this proposal is really necessary because potential losses by passengers are already mitigated by a number of factors such as 62 percent of all the tickets processed by airlines and travel agency clearing houses are purchased by credit cards. These are generally refundable under the Fair Credit Billing Act. 46 percent of all tickets are purchased for business travel and there are private default insurance and protections that are available to passengers who are interested.

Mr. **COUGHLIN.** Some people think that the pendulum is—

Ms. **CHAO.** Let me add, we have a consumer complaint department. We strongly encourage other airlines to take up the tickets of passengers who hold tickets on a defaulted airline.

AVIATION REGULATIONS

Mr. **COUGHLIN.** Some people will say that the pendulum is swinging back toward a broader federal role in regulating aviation. Do you think it is doing that?

Ms. **CHAO.** I don't think so. I think what is happening instead is that air travel has now become the travel mode of choice for so many Americans. What deregulation has really done is to spawn forth a whole new wave of passengers. Deregulation has democratized travel within this country.

Air travel used to be the privilege of the relatively elite who could afford the high fares. Now with discount fares students are able to travel home for holidays more frequently. Families are able to be reunited when they are dispersed throughout the country. We are seeing more air travel. We are also seeing a higher impatience with the more rushed aspects of air travel. When it is more democratized we are going to see a different type of people in the airports and sitting next to us, kids in jeans, for example.

It is going to be more congested. The solution is not more regulation. What we need is new capacity for the whole system.

AVIATION TASK FORCE

Mr. COUGHLIN. In last year's hearings it was Secretary Skinner who indicated he was assembling a task force in the department to examine one, deregulation; two, fares; three, trends in fares; four, computerized reservation systems; five, concentration in airports; six, hubbing, and seven, environmental concerns. That is a big package. What is going to conclude it? Has that task force published a report?

Ms. CHAO. It has. We have not issued the CRS aspect yet. This report says deregulation is working very well; that we have had a tremendous explosion in air traffic and that service levels have increased in certain city pairs and also that there is so much greater flexibility for travelers these days in terms of where they want to go, and there are so many more hub concentrated cities.

That does not mean that there are not certain problems. In hub concentrated cities there has been a premium, about 18 percent on average, for air fares. That is a problem that we are talking a look at but overall the consumer has much greater access to lower fares, much greater flexibility in service levels and choice of carriers as well.

If I could, I would like to provide for the record the specifics of that study. We have not concluded the CRS study. We are mandated to conclude a review of that by the end of this year. We have a notice of proposed rulemaking out. We are looking at that issue.

EXECUTIVE SUMMARY OF COMPETITION STUDY

Mr. COUGHLIN. If you could provide an executive summary for the record and the statement for the Committee, that would be helpful.

[The information follows:]

U.S. Department of Transportation
Office of the Secretary of Transportation

Secretary's Task Force on Competition in the U.S. Domestic Airline Industry

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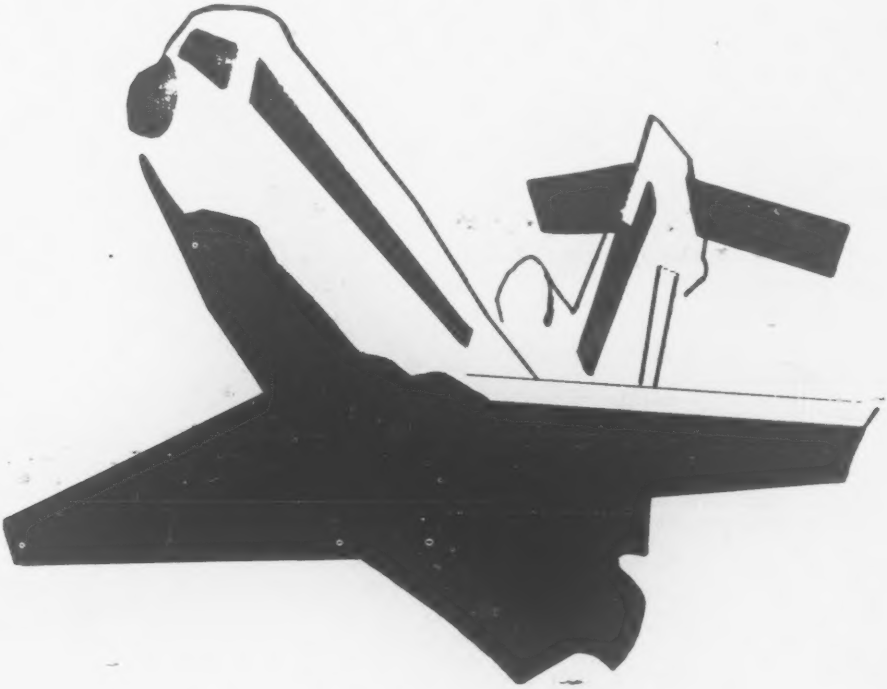


EXECUTIVE SUMMARY
February, 1990

SECRETARY'S TASK FORCE ON COMPETITION IN THE U.S. DOMESTIC AIRLINE INDUSTRY

Executive Summary

Executive Summary

Overview.

The Department of Transportation is responsible for promoting the development of our national air transportation system and ensuring that competition continues to benefit the traveling public. Competition is essential to the maintenance of low air fares and high service quality. The domestic airline industry has undergone significant structural and operational changes during the decade following deregulation. Major carriers have all but abandoned their linear route structures in favor of hub and spoke networks and now use sophisticated computer reservation systems, complex pricing strategies, and service agreements among national and regional air carriers. Between 1978 and 1984, the industry expanded from 30 to 38 large carriers. It then consolidated through 11 mergers and 16 acquisitions so that today, after the merger in 1989 of Piedmont into USAir, 90 percent of the industry's revenue passenger miles is provided by 8 major carriers. Recently, concern has arisen over the competitive effects of airline mergers, airport congestion, fluctuating fares, and air safety. And as these and other changes continue to occur, both the Department and industry must respond to the need to preserve and stimulate a strong competitive environment for air commerce.

At the direction of the Secretary of Transportation, a task force in the Department of Transportation conducted a comprehensive assessment of the state of airline competition. Through a series of studies, the Department has gained a thorough understanding of the competitive status of the airline industry, identified the very significant benefits flowing from airline deregulation, and reviewed potential obstacles to competition.

Results in Brief.

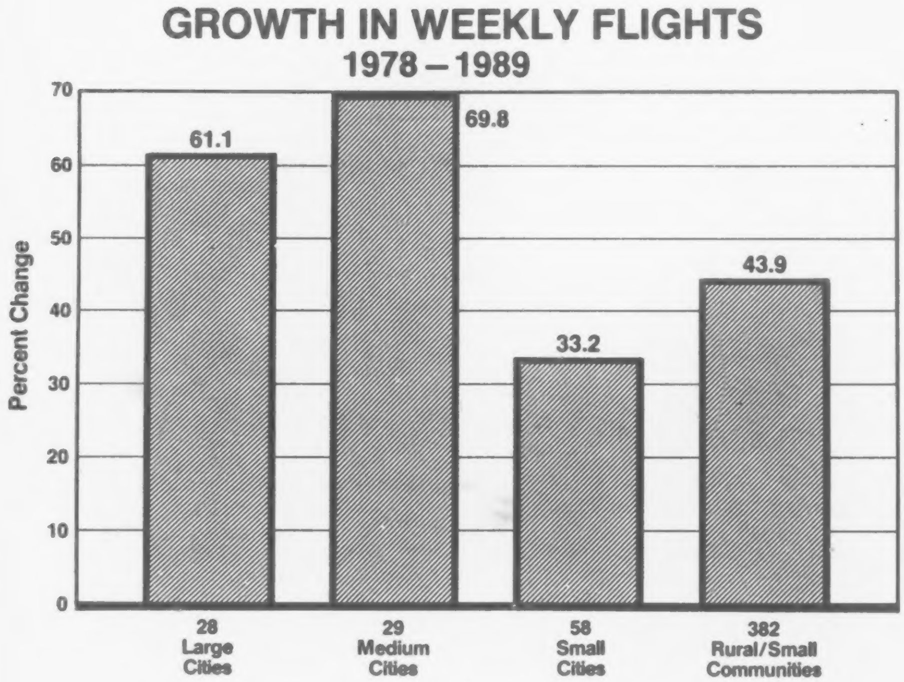
The Department's Airline Competition Study examined the structure and service network of the airline industry, airport and air traffic control system impediments to new and existing carriers entering new markets, regional air service, airline passenger fares, airline marketing practices, and international airline service.

These studies show that air travelers have benefited from the changes brought about under deregulation by receiving more service at a lower cost. Air service networks have expanded, providing more departure frequencies to more airports and travel markets. The wide use of discount fares has made it possible for more people to afford air travel.

These studies also identify pockets of problems. Not all travelers and markets have enjoyed the same level of benefits. Passengers departing from or traveling to some highly concentrated hub airports pay higher fares. And while hub and spoke operations have fostered industry efficiency, they have also increased airport congestion.

Effect On Service: The most significant change in the airline industry is the development of hub and spoke networks by all major air carriers. The Department's study found that hub and spoke networks have affected air travel in four important ways:

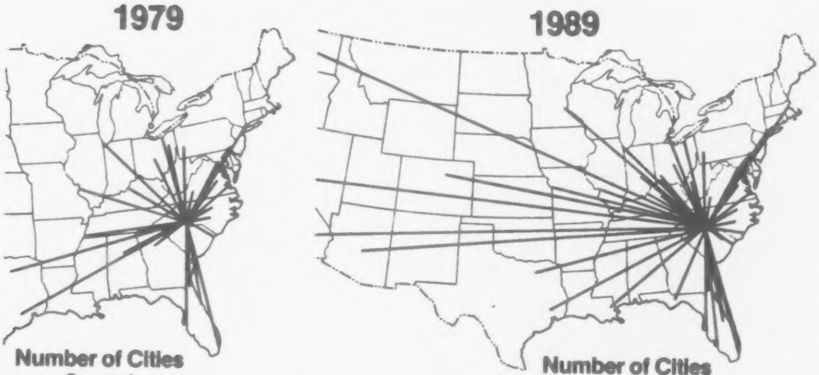
> First, hub and spoke operations at many hub airports provide greater frequency, convenience and travel options to the public than were available under the linear route systems that characterized air travel before deregulation. The majority of cities with air service received more frequent service in 1989 than in 1978.



Second, smaller cities have benefited from the shift to hub and spoke service. Most small cities receive more frequent service than previously, and many now receive service to connecting hubs from more than one major airline or their affiliates, thereby providing the traveler with a choice of airlines and routings to most destinations.

The hub at Charlotte, NC, provides a good illustration. In 1979 Charlotte had nonstop service to 32 cities, 8 of which were small. In 1989 Charlotte had nonstop service to 73 cities, with the number of small cities served doubling to 16. Coupled with the fact that the number of connecting hubs also grew from five to 25 over the same period, it becomes apparent that the hub and spoke system has resulted in a greater variety of more frequent connections for most passenger trips.

SERVICE AT CHARLOTTE



1979 — Number of Cities Served

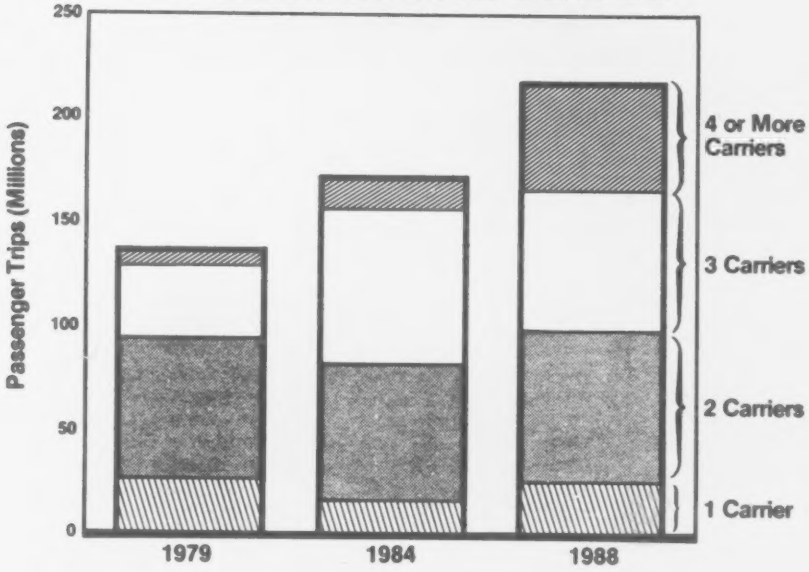
Large	11
Medium	6
Small	8
Rural	7
Total	32

1989 — Number of Cities Served

Large	21
Medium	13
Small	16
Rural	23
Total	73

Third, the expansion of service networks has increased the number of air carriers competing for passengers in a majority of travel markets. Whether measured by the volume of passenger trips (as shown), revenue passenger miles, or number of travel markets, competition in city-pair markets grew between 1979 and 1988. In 1988, more than 55 percent of the passengers traveled in city pair markets served by three or more air carriers, up from 28 percent in 1979.

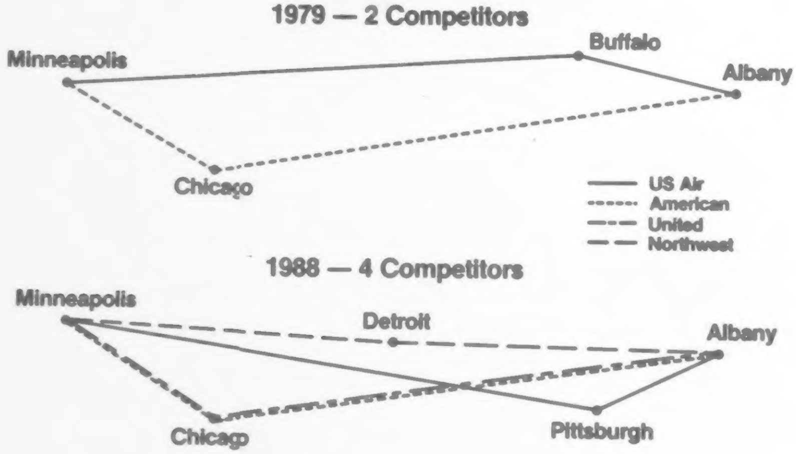
PASSENGER TRIPS BY COMPETITIVE STATUS



This growth in competitive service, while seemingly counterintuitive given industry consolidation and the reduction in the absolute number of air carriers between 1984 and 1988, is due to the growth of on-line connecting service through hubs. For example, in 1979 travelers between Albany, New York, and Minneapolis/St. Paul relied primarily on connecting service offered by two carriers through Chicago and Buffalo. By 1988 the number of passengers increased by 41 percent and two additional competiting carriers had entered the market.

PASSENGER FLOWS OVER CONNECTING HUBS

Albany - Minneapolis Market


1979 — 2 Competitors
Minneapolis
Buffalo
Albany
Chicago
US Air
American
United
Northwest
1988 — 4 Competitors
Minneapolis
Detroit
Albany
Chicago
Pittsburgh

Fourth, air carriers operating hub and spoke networks enjoy a substantial advantage at highly concentrated hub airports. They offer more frequent and convenient flight alternatives to customers and enjoy high load factors. Higher passenger loads and more service further encourage expansion by dominant carriers at their own hub airports, thereby contributing to greater hub domination by such carriers. While it has a negligible effect in long haul travel markets, the economic advantage enjoyed by the dominant carriers has resulted in a lessening of competitive service in short haul markets. These markets represent less than 5% of the total domestic air traffic.

Effect On New Entry: The entry of new competitors in a market is important to maintaining price and service competition. The Department's study identified two areas where prospective new entrants face obstacles:

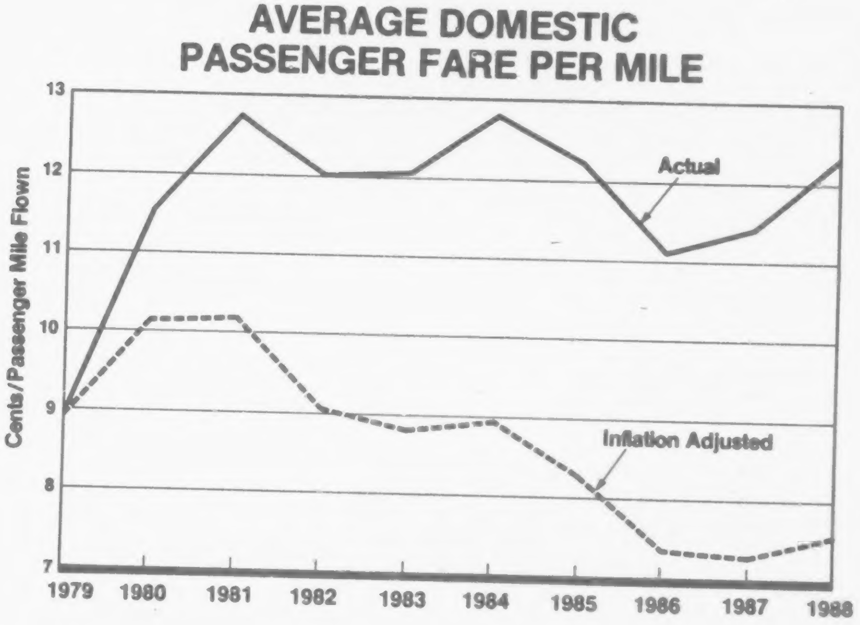
> At certain important airports there is a shortage of groundside facilities including boarding gates, holding rooms, baggage handling areas, and aircraft service facilities. Exclusive use agreements and long-term leases of gates and other facilities between incumbent airlines and the airport also make new entry difficult. Construction of new facilities takes on average two years. Furthermore, in some cases, provisions in existing contracts between airports and airlines can delay or prevent construction of new facilities.
>
> The shortage of operating capacity at four congested airports where slots are controlled 1/ constitutes an obstacle to potential new entrants. New entrants at those airports must rely on the occasional lottery of slots or must attempt to purchase slots from established incumbents.
>
> 1/ Kennedy and LaGuardia, New York City; National, Washington, D.C.; and O'Hare, Chicago.

Effect On Regional Air Service: During the last ten years regional air service has expanded, and regional carriers have developed closer operational ties with major air carriers. Regional airlines have concentrated on developing route networks to feed passengers to major traffic hubs from surrounding smaller areas. The Department's study found that:

> Between 1978 and 1988, the number of airports served by regional airlines increased by 25 percent, the number of aircraft they operated doubled, and the number of passengers carried by regional airlines more than tripled.
>
> Most regional airline service is marketed and operated on a code sharing basis. Code sharing agreements and other marketing alliances with major airlines provide greater coordination between carrier flight schedules, allow shared boarding and baggage facilities, simplify ticketing, and permit passengers of regional air carriers to participate in frequent flyer programs offered by major carriers.
>
> Most regional travel markets are competitive. Of the top 300 regional air travel markets, 212 markets were served by two or more air carriers, and in another 24 markets regional airlines compete with major air carriers.

Effect On Price: The Department's studies found that, contrary to some concerns that the flying public no longer enjoys the low air fares that were available at the onset of deregulation, air fares are lower. Furthermore, changes in fares brought about by hub and spoke systems affect travel markets differently. The study showed that:

> In the 10 year period since deregulation, air fares have continued their long-term historic decline. After 1981, following an increase in air fares caused by an enormous increase in the cost of jet fuel, air fares adjusted for inflation declined by 20%.


AVERAGE DOMESTIC PASSENGER FARE PER MILE

After adjusting for inflation, passenger fares in 1988 were down from 1984 levels by over 15% The decline in fares relative to the increase in costs indicates that air travel remains a good value.

While passenger fares declined between 1984 and 1988 at airports of all sizes, small cities benefited from the greatest decline in fares.

Fares are reduced when a carrier new to a market is trying to establish itself and gain a share of the market.

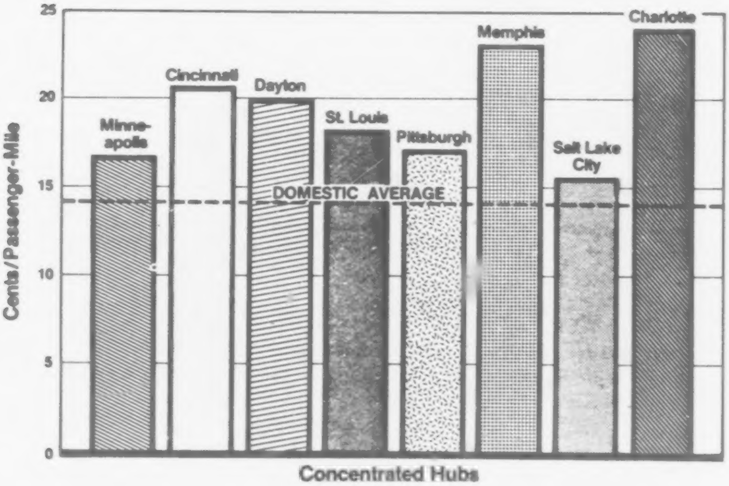
When compared to the formula used when fares were regulated, passenger fares were higher in short-haul markets and lower in long-haul markets, consistent with a cost-based, competitively determined fare structure.

For 698 travel markets which were dominated by a single air carrier, passenger fares were on average 14% higher than fares for passengers traveling in competitive markets. Travel in these single carrier markets represents approximately 10% of the total domestic revenue passenger miles.

The average fare per mile at the eight most concentrated hubs is higher than the national average. Adjusting for the average trip distance and the size of the market served at the eight most concentrated hubs, fares were on average 18.7% higher than similar markets for other airports. This finding supports the conclusion that high hub concentration leads to high fares for passengers traveling to and from such cities. Fares are highest for travel between large cities within 1,000 miles of the hub. These markets represent about 4.1% of domestic revenue passenger miles.

AVERAGE FARE PER MILE AT CONCENTRATED HUBS

Compared to Domestic Average



Effect Of Marketing: Travel agencies, frequent flyer programs, and computer reservation systems (CRSs) are all important marketing components that can influence airline competition. In these three areas the Department's study found that:

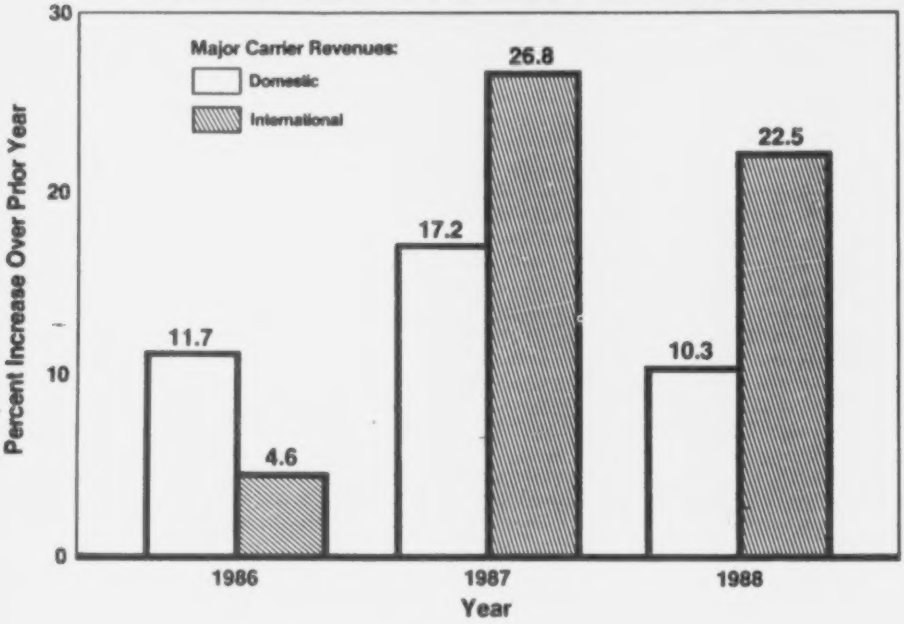
> Travel agents now sell about 80% of all airline tickets. Their ability to choose the airline for many travelers has caused each airline to give agents incentives to book clients on its flights instead of its competitors' flights. One major type of incentive is each airline's override commission program, which enables an agency to obtain higher commissions when it gives the airline offering the program a larger share of the agency's bookings. In addition, each airline owning a CRS encourages agencies to use its system, since its booking share is usually higher when agencies use its CRS.
>
> Frequent flyer programs are directed toward the most lucrative segment of airline traffic--the full-fare business traveler. Corporate travel managers generally agree that the pursuit of frequent flyer rewards by their companies' employees has led to higher fares and unnecessary travel. Corporations are adopting control measures that they believe are at least partially successful in preventing higher travel costs and unnecessary travel. Also most frequent fliers belong to more than one program, thus helping to promote competition among carriers.
>
> The conclusion reached by the Department in its May 1988 report on airline reservation systems that entry into the CRS industry is difficult remains true today. There are, however, two promising developments. First, is the diversification of ownership of three of the five reservation systems. To the extent that these systems are owned by more than one airline and are operated as separate profit centers, managers' incentives and abilities to use these systems to thwart airline competition are reduced. Second, is the enhanced ability of these systems to provide real time information on the flights of participating airlines. This "total access" capability could, potentially, reduce the need for travel agents to use the locally dominant air carrier's reservation system. In this regard, the Department's rules governing computer reservation systems adopted in 1984 and scheduled to expire on December 31, 1990, are currently under review.

Effect Of International Air Service On Domestic Competition: International operations are a growing segment of major U.S. airlines' service. International operations influence the competitive position of the major U.S. domestic carriers in three important ways.

First, international operations constitute a significant and growing share of the overall air transportation market. Between 1982 and 1988, international revenue passenger miles for U.S. carriers increased 76%, compared to an increase of 56% for domestic revenue passenger miles. In 1981 international operating revenues were $5.7 billion for the nine major air carriers. By 1988 this grew to $12.7 billion, accounting for 22% of the total revenue for the these nine major carriers.

Moreover, in the past couple of years the growth rate in international revenues has been outpacing domestic revenue growth.

INTERNATIONAL REVENUE GROWTH OUTPACED DOMESTIC IN 1987-88



Second, revenues and operating profits from international operations are important to the financial strength of the industry and individual carriers. Pan American receives over three quarters of its revenues from international operations, while two other carriers – Northwest and Trans World – receive over one-third of their revenues from international operations. Three other major carriers – Continental, Delta and United – have experienced large increases in the percentages of revenues attributable to international operations during the 1980's. As for profits, in 1988, 34% of the operating profits of the nine major U.S. carriers providing international service were from international operations.

Third, the introduction of new gateways and additional service opportunities for international travel has resulted in substantial increases in traffic in those markets. These new services have also altered traffic flows in international markets, with more passengers traveling on-line and fewer making interline connections between domestic and international sectors.

Assessment of Competition.

Changes affecting industry concentration and route structure, airport and air traffic impediments, regional service, airline fares, marketing practices, and international service, naturally give rise to questions about the competitiveness of the airline industry. Principal findings in each of these separate studies are highlighted below.

Industry and Route Structure.

A hub and spoke system works most effectively when an airline has many spoke cities. Each additional spoke strengthens the hub by providing a new destination for the other spokes. This leads naturally to one airline providing most of the flights at its chosen connecting hub. The dominant airline also has an advantage over other airlines in providing service to and from the hub city. Since flights into the hub city carry passengers traveling between spoke cities as well as passengers destined for the hub city, the hubbing airline can provide more service than the local passengers alone would justify. Other airlines generally cannot match the service of the hubbing airline to its hub city. As a result, direct nonstop competition into these connecting hubs is limited.

Each of the large airlines now provide some service to nearly all large and medium sized cities and to many more smaller cities through affiliated regional airlines than they did when route and service patterns were regulated. The large carriers link these cities by coordinating flights at hub airports, allowing convenient and frequent connections for most passenger trips.

The evolution of this hub and spoke system for providing service has resulted in more service for the hub city and most smaller cities and has intensified competition for the vast majority of air travelers. However, at some non-coastal cities it has led to the dominance of one airline, thus reducing competitive alternatives for some passengers traveling to and from these dominated hubs.

In 1988, 55 percent of the nation's airline passengers traveled between cities in markets where three or more airlines were competing. (A competitor had to carry at least 10% of the passengers.) About 53% of the nation's passengers traveled in such city pairs in 1984 and only 28% traveled in such markets in 1979.

Passengers traveling to a hub from cities more than 1,000 miles away generally have a choice of air carriers. Such alternatives are not generally available for shorter trips, especially for time-sensitive non-discretionary travelers. While airlines are competing for passengers through hubs, competition has declined for passengers traveling to hub cities closer than 1,000 miles.

Smaller cities have benefited greatly from the shift to hub and spoke service. Most smaller cities receive more frequent service than previously. Moreover, many smaller cities now receive service to several alternative connecting hubs providing travelers at these small cities with a choice of airlines for most destinations.

Airport and Air Traffic Impediments to Competition.

Access to airports and the air traffic control system were reviewed to determine whether these are impediments to the entry of air carriers. Airport capacity depends primarily on the physical layout of an airport. Airspace restrictions, the navigational equipment available, and safety factors also impact capacity. When demand exceeds airport capacity for any period, delay results. Delay is a serious concern. But delay in itself does not constitute a barrier to entry because the "first come, first served" rule of handling air traffic treats new entrants and incumbents the same.

Inadequate capacity, however, can become an obstacle for potential entrants. Under the High Density Rule Program (HDR), the FAA has had to limit the number of takeoff and landing slots at four major U.S. airports. These are Kennedy and LaGuardia Airports in New York, National Airport in Washington, and O'Hare Airport in Chicago. Reallocation of slots at these airports is accomplished through a market-type process that allows slots to be transferred for any consideration.

The slot buy-sell rule for slots has been effective in providing for adjustments among incumbent carriers. However, the capacity shortage at these airports may well impede carriers from entering these markets. In addition, while there is no direct linkage between slots and gate access, gates are also needed at the HDR airports if new entrants do not already control such facilities. Ground facilities such as gates and check-in areas are essential to providing air transport services. To be fully competitive, a new entrant requires airport facilities that are equal to incumbents' in cost and convenience.

The shortage of airport groundside facilities is a serious problem. A survey conducted by the Airport Operators Council International in 1989 shows that a shortage of gates is common. According to this survey, 19 of the 30 large hub airports indicated that no gates would be available within 90 days.

The lead time for construction of permanent gates is well over two years on average. Also, certain existing provisions in the contracts between airport authorities and their current airline tenants can delay or prevent construction of new gate facilities. Exclusive use, long-term leases for gates and other airport facilities are factors that make new entry into airports difficult. While a new entrant may be able to sublease airport facilities, it is likely that its cost will be higher than the lessor's cost. Also, the sublet facility may not be as good as those the incumbent retains. Thus, even with subleasing, obstacles continue to exist.

Environmental regulations are not a significant barrier to entry for potential new entrants. Federal regulations do not discriminate between new entrants and incumbents, and thus the costs faced by each class of carrier are essentially the same.

At a few small airports, local restrictions act the same as allocation programs. If such local regulations were to proliferate, the conclusion about environmental regulations as a barrier to entry would have to be reviewed.

Any new service requires aircraft equipment. At present, it is difficult to get early delivery of new equipment from the primary aircraft manufacturers. New aircraft production is booked up into the early 1990s. If manufacturers were the only source of equipment, aircraft availability would clearly be a problem. However, aircraft are mobile capital assets and there is an active worldwide market in both used aircraft and leased aircraft. The cost of equipment is about equal for existing carriers and new entrants. Thus, aircraft availability does not represent a general barrier to entry.

Regional Airline Competition.

The regional airline industry provides an important link between smaller communities and the nationwide service network operated by major air carriers. During 1988, regional air carriers served more than 4,000 city-pair markets. The largest 1,000 of these accounted for more than 90% of all regional airline passengers. As many as 10% of all passengers traveling on flights operated by the nation's major airlines transferred to or from a flight operated by a regional airline during the course of their trips.

As the nation's large air carriers adjusted their route networks following deregulation to focus on major hubs, regional airlines concentrated on developing route networks to "feed" passengers to major traffic hubs from surrounding smaller communities, often utilizing larger aircraft than they were permitted to operate before deregulation. Some regional carriers entered into joint marketing alliances with major airlines, which were intended to facilitate transfers by passengers from feeder flights operated by an individual regional carrier to flights operated by a major airline. Under these agreements, regional and major carriers coordinated their flight schedules, located boarding gates and baggage facilities near each other in airport terminals, and simplified "through ticketing" and baggage checking for passengers switching from one carrier to another.

With the expiration of the mandatory joint fare provision of the industry-wide interline agreement in 1983, the regional airlines began the transition to largely exclusive fare and passenger transfer arrangements with individual major carriers. This transition, which proceeded most rapidly after 1985, was hastened by the development of code sharing agreements, under which regional carriers' flights were identified in airline computer reservation systems and the Official Airline Guide by the codes used to designate the major carriers with which regional airlines established such agreements.

Major air carriers subsequently canceled joint fares with regional carriers other than those with which they had code sharing agreements, and expanded their frequent flyer programs to include those regional carriers. Additionally, some major carriers acquired significant financial interests in their regional code sharing partners. Today, virtually all large regional airlines participate in a code sharing arrangement with a major airline, and most regional airline service is marketed and operated on a code sharing basis.

Most heavily traveled markets served by regional airlines during 1988 involved competition between regional carriers or among regional and major airlines. Among the regional airline industry's 300 most heavily traveled markets, 212 were served by two or more regional airlines, while major carriers provided direct competition in another 24 markets. In 1988, regional carriers serving these markets operated an average of 72 weekly flights (in each

direction).
Direct competition between regional operators was less widespread among the sample of 50 smaller markets analyzed. Slightly fewer than half (48%) of these markets were served by two or more regional carriers, with relatively few (14% of the sample of 50) receiving competing service from three or more regional airlines. Only two of these 50 markets also received service from major carriers.

Regional airline service from surrounding small communities to Minneapolis-St. Paul and St. Louis has been affected by recent mergers. The net effect of these changes on these communities is difficult to assess. The number of non-hubs and small hubs with direct regional airline service to Minneapolis-St. Paul increased sharply, while the number with service to St. Louis increased slightly. At the same time, the average frequency of service from non-hub and small hub points to Minneapolis-St. Paul rose slightly, but declined at St. Louis. The fraction of this service that was provided on a nonstop basis rose at both Minneapolis-St. Paul and at St. Louis.

The number of markets in which two or more regional air carriers offered competing service declined sharply in both Minneapolis-St. Paul and St. Louis, as did the number served by an independent (i.e., non-code sharing) regional air carrier. Most of the small communities that lost competitive regional airline service to Minneapolis-St. Paul or to St. Louis received regional service to at least one other major airline hub.

Pricing.

In the 10-year period since deregulation, real air fares have declined. After an initial increase in fares between 1979 and 1981 caused by an enormous increase in the cost of jet fuel, air fares, adjusted for inflation, declined by 26%. Since 1984, the average air fare per mile paid for travel in the United States has also declined. Adjusting for the general increase in prices, air fares were down by over 15% between 1984 and 1988. Fares declined even more for small cities than for large cities. Air fares went up between 1986 and 1988, but the airlines' costs of providing service were up even more. Overall, air fares were a good value for most people in 1988 because airlines were competing harder than ever for passengers between most cities.

When comparing markets where a single airline carried nearly all the passengers to other markets, average fares in 1988 were 14% higher and fewer discount fares were sold. Only about 10% of the miles flown by passengers were in single-carrier markets and most of these trips were less than 500 miles.

Higher average fares were paid by passengers traveling to and from connecting hubs where one airline provides most of the service. Fares to and from the eight most concentrated hub cities (where one airline boarded 75 percent or more of the passengers in 1988) were studied. The cities were: Charlotte, Cincinnati, Dayton, Memphis, Minneapolis/St. Paul, Pittsburgh, St. Louis, and Salt Lake City. Only 4.1% of miles flown by passengers are in the high fare trips to the eight concentrated connecting hubs. The fares were on average 18.7% higher than fares to and from other cities. Fares to these eight cities were also high in 1984, when there were more carriers operating.

The fares at the eight concentrated cities were generally higher for trips of between 250 and 1,000 miles to and from larger cities. For short trips (less than 250 miles) fares must often be competitive with the cost of driving. For longer trips (over 1,000 miles) there are usually several airlines to choose from, even at cities where one airline offers most of the flights. Competition that relies on other connecting hubs results in lower air fares for longer trips.

Air fares were also studied for a second group of eight cities where two airlines provide most of the service. The cities were: Atlanta, Chicago, Dallas, Denver, El Paso, Houston, Nashville, and Raleigh/Durham. Some of these cities had higher fares and some had lower fares when compared to other cities around the country. The highest average fares were paid at Atlanta where Delta and Eastern have major connecting hubs, which indicates that the pressure of a second major airline does not guarantee lower fares for local passengers. On the other hand, at Chicago fares were generally higher than at other cities in 1984, but were about equal to other cities in 1988. The competition for local Chicago passengers provided by Midway Airlines and Southwest Airlines at Midway Airport may explain the improvement in local fares.

Finally, fares are lowest when a carrier is trying to establish itself in a new market. Once a carrier establishes itself, however, fares tend to go back up.

Marketing Practices:

Travel agents now sell about 80% of all airline tickets. The agencies' ability to choose the airline booked by many travelers has caused each airline to give agents incentives to book their clients on its flights instead of its competitors' flights. Computer reservation systems provide two tools for swaying agents' decisions.

An important consideration in choosing a CRS, especially for larger regional agencies, is each CRS vendor's share of the local airline market. When an agency uses the CRS of the carrier that has a large share of its city's airline service, the agency often will have the ability to better serve its customers for two reasons: that CRS will provide the most reliable information and booking capability on the carrier that the agency's customers are likely to use most, and the agency is likely to obtain preferential treatment from the carrier in correcting booking errors and obtaining favors for clients, such as waivers of discount fare restrictions.

Override commissions (incentives for additional sales) also influence agency CRS choices, for agencies are generally more likely to receive override commissions from a carrier if they use that carrier's CRS. In 1986, most agencies received some form of override commission from domestic airlines. Override commission programs typically provide an agency with a higher commission rate on all its sales for an airline if that airline obtains a higher share of the agency's bookings than it receives from comparable agencies.

Frequent flyer programs allow members to earn flight mileage points or credits (based primarily on actual mileage flown plus bonuses) for air travel on affiliated or partner airlines. The more extensive an airline's network, the greater the likelihood that a passenger will have opportunities to both earn and use mileage credits.

Frequent flyer programs are directed toward the most lucrative segment of airline traffic -- the full-fare business traveler. Since most business travelers do not pay the cost of their travel, but do accrue frequent flyer benefits, they have an incentive to make unnecessary trips. Corporate travel managers generally agree that the pursuit of frequent flyer rewards by their companies' employees has led to higher fares and unnecessary travel. Corporations are adopting control measures that they believe are reducing these problems. It can also be argued, however, that frequent flyer programs do make a contribution to airline efficiency in that they help fill seats that otherwise would have been flown empty. In fact, because airlines' yield management programs can be employed to funnel frequent flyer awards to fill unused seat inventory, many airline managers believe these programs have very low costs.

A CRS consists of a central database that is accessed by subscribers through computer terminals. From a travel agent's perspective, CRSs have three major functions -- they allow agents to make reservations and issue tickets; they have a back office capability that records the airline ticket sale, tabulates the commission income earned, credits the agent who makes the sale, and makes other bookkeeping entries; and they have an office automation capability. Travel agencies primarily use CRSs to book airline services and usually use only one system. Each airline therefore must participate in each CRS in order to have its services sold by that system's subscribers. As a result, all airlines of significant size except Southwest participate in all five systems.

The basic features of the CRS industry's structure have remained essentially unchanged since the Department's May 1988 Study of Airline Computer Reservation Systems report was prepared. That report concluded that there were conditions that made entry into the CRS industry difficult. In 1988, the five CRS vendors had total revenues of $1.176 billion. (Possible incremental airline revenues are not included in this estimate.) Approximately 70% of these revenues were from booking fees paid by air carriers; the remainder was from fees paid by subscribers.

Since the 1970s, the CRS-owning airlines have recognized that by automating agents they could gain additional airline bookings and revenues. There are several reasons for this phenomenon. Travel agents often have more confidence in the accuracy and timeliness of the seat availability information on the vendor airline and the reliability of having their bookings recorded, which results in additional bookings. Some agents also maintain that it is easier and faster to make and change reservations, issue tickets and boarding passes, select seats, clear waitlists, and perform several other routine tasks for the vendor airline's flights. The ongoing business relationship between vendors and subscribing agents is another factor explaining agents' loyalty to their vendor airline.

The vendor airlines have made a number of studies to determine the presence and amount of the incremental airline traffic they receive from automating agents. Despite their acknowledged deficiencies, these studies show a strong association between agents' CRS affiliation and the share of bookings made on the vendor airline. In fact, the amount of incremental bookings estimated by the vendors in recent studies is generally higher than the numbers used in the Department's 1988 report to estimate the airline profits the vendors receive from carrying incremental traffic.

CRSs provide their airline owners with a number of competitive and strategic benefits in addition to booking fee revenue and incremental bookings/revenues. Most important, the large vendor airlines are better able to structure their yield management programs and to control their seat inventory.

The Civil Aeronautics Board (CAB) concluded that CRS regulations were necessary because these systems could be used by their airline owners in a potentially anticompetitive manner. In general, the rules have been successful in eliminating systematic carrier-specific display bias. There also do not appear to have been any pervasive problems regarding the loading of information on airlines' fares or schedules, although some vendors do treat their own information somewhat differently from that of other participants.

In certain areas, however, the rules may not worked as well as the CAB originally intended. In particular, the issue of allegedly restrictive subscriber contract provisions and practices remains a controversial CRS policy issue. The ending of display bias has also not kept vendors from obtaining incremental revenues. The CAB's additional expectation that the major participating airlines' bargaining power would control booking fees has proved unrealistic.

One promising development is the diversification of ownership of three of the five CRSs. To the extent that CRSs are operated as separate profit centers, with different managers responsible for producing a profit on a stand-alone basis, managers' incentives and abilities to use CRSs to thwart airline competition are reduced. Another promising development is the enhanced ability of CRSs to provide up-to-date information on the flights of participating airlines. This "total access" capability could, potentially, reduce the need for travel agents to use the locally dominant air carrier's CRS.

International Air Service.

To underscore the significance of international operations and their effect on the competitive position of the major U.S. airlines, in 1988 international operations accounted for 24% of total revenue passenger miles recorded by all U.S. carriers (103 billion of 437 billion total) and 22% of total operating revenues ($13 billion of $63 billion total). Furthermore, in the past couple of years the growth rate for international traffic (27% in 1987 and 18% in 1988) has been outpacing domestic traffic (7% in 1987 and 1% in 1988). Moreover, overall international traffic for the first half of 1989 was up over 10%, primarily due to strong traffic growth in the Pacific (23%). In addition, in 1988 international operations produced over $900 million in operating profits for the "major" carriers (defined as carriers with over $1 billion in revenues and includes all of the primary domestic carriers, including American, Continental, Delta, Eastern, Northwest, Pan American, Trans World, United and USAir). This accounted for 34% of the operating profits of these nine carriers and 29% of the operating profits for all major carriers.

Every major U.S. passenger carrier now provides international service. American, Continental and Delta each provide service in all three international operating markets (Atlantic, Latin America and Pacific). Northwest, Pan American and USAir provide service in two, and Eastern, TransWorld and United in one. However, the importance and effect of international operations vary considerably between these carriers.

International operations account for 78% of Pan American's total revenue passenger miles, 41% of Northwest's, 39% of TransWorld's, 22% of Continental's, 18% of United's, 14% of American's, 12% of Eastern's, 11% of Delta's and less than 2% of USAir's. Percentages of total operating revenues for the carriers are similar: 78% for Pan American, 39% for Northwest, 36% for TransWorld, 20% for United, 19% for Continental, 12% for American and Eastern, 10% for Delta and less than 2% for USAir.

Trends in these factors over the past few years are also important. The relative importance of international operations for the three largest international carriers -- Pan American, Northwest and TransWorld -- as measured by the percentage of total operating revenues attributable to international service have not changed significantly during the 1980's. Other carriers have had material changes. American's percentage has almost doubled since 1981, Continental's has increased by 60%, Delta's percentage has almost tripled, and United, which had no international operations before 1983, now has over 20% of its revenues from international operations.

The profit/loss results of the carriers is also significant. In 1988, only one major U.S. carrier experienced an operating loss on international operations (Eastern). Two carriers had operating profits on international operations while posting a loss on domestic operations: Pan American which had an international operating profit of $76 million and a domestic loss of $181 million and Continental which had an international profit of $170 million and a domestic loss of $87 million. Other notable results are Northwest's international profit of $177 million and domestic profit of only $19 million, American's international profits of only $7 million (while it recorded $1 billion in international revenues), and United's $207 million profits on its Pacific operations, or almost one third of its total operating profits.

International operations are provided at 22 major U.S. airports. None of the top 10 international airports based on international enplanements of U.S. carriers is a highly concentrated hub (i.e., one carrier having more than 75% of total enplanements). These 10 largest international airports account for 88% of U.S. carrier international enplanements. At 12 of these 22 airports, international traffic is a major portion of the operations of a non-dominant domestic carrier at that airport. Thus, international operations are helping to support these carriers' position at these airports. At the remaining 10 airports, the dominant domestic carrier is also the dominant international carrier and the two types of service are complementing each other.

By reviewing traffic developments over the past decade in two primary international markets, U.S.-London and U.S.-Tokyo, several salient features are evident. First, the increase in the number of U.S. gateways in these markets and the number of U.S. carriers providing service has been accompanied by substantial increases in traffic, particularly from interior U.S. points. Second, a greater percentage of passengers in these markets are now transported from their origin to their final destination by only one carrier (i.e., there are fewer interline connections). Third, there appears to be more competition in markets as measured by the market shares of carriers, except in markets that are new U.S. gateways where the international carrier is also the dominant domestic carrier. Finally, with the increase in traffic using on-line service, there has been a decrease in foreign flag-carrier share on connecting markets and a decrease in the overall market share of those U.S. carriers operating as feed carriers for the foreign carriers.

AIRLINE COMPLAINTS

Mr. **Coughlin**. Complaints against airlines were lower in 1989 than in the previous year. Was that an anomaly? What are the overall trends in airline complaints?

Ms. **Chao**. I think the overall trends are all actually fairly positive. I think they have been improving. We saw an increase in complaints in the 1985–1987 years primarily because of the high level of merger activities within the industry.

Clearly the period of consolidation following these mergers yielded some increase in consumer complaints. With a decline in consolidations, we are now seeing a decline in complaint reporting. I can go through the specifics with you or I can provide that for the record.

Mr. **Coughlin**. You may provide that for the record.

[The information follows:]

Consumer complaints against the airlines for CY 1989 totalled 12,403, a dramatic 48 percent decline from the 23,763 complaints received in CY 1988. The distribution of primary complaint areas in CY 1989 is shown below.

THREE TOP COMPLAINT CATEGORIES IN CALENDAR YEAR 1989

Category	Number of total complaints	Percent of total complaints
Flight Problems	4,451	35.8
Baggage	2,129	17.2
Refunds	1,290	10.4

Ms. **Chao**. I would add that we are requiring a variety of reports from the airline industry. It appears to us that the mere act of reporting their on-time service, for example, or the delay statistics seems to be yielding better performance because obviously the public image of these airlines is of great importance to them.

If we publicize the delay statistics, baggage handling performance, the public nature of this disclosure seems to be a policing thing in itself.

AIRLINE COMPLAINT RATES

Mr. **Coughlin**. For the record, please update the data on airline complaint rates by category, as shown on pages 430–438 of last year's hearing record.

[The information follows:]

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

SUMMARY OF COMPLAINTS

	JANUARY 1989 THROUGH DECEMBER 1989 TOTAL	JANUARY 1988 THROUGH DECEMBER 1988 TOTAL
U.S. AIRLINES	10553	21430
FOREIGN AIRLINES	1080	1343
CARGO COMPANIES	36	19
TRAVEL AGENTS	128	129
TOUR OPERATORS	128	124
MISCELLANEOUS COMPANIES	478	718
INDUSTRY TOTAL	12403	23763

THIS REPORT IS BASED ON INFORMAL CONSUMER COMPLAINTS THE DEPARTMENT HAS RECEIVED BY MAIL OR TELEPHONE. DOT HAS NOT DETERMINED THE VALIDITY OF THE COMPLAINTS.

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

COMPLAINT CATEGORIES *

	JANUARY 1989 THROUGH DECEMBER 1989		JANUARY 1988 THROUGH DECEMBER 1988	
	RANKING	TOTAL COMPLAINTS	RANKING	TOTAL COMPLAINTS
FLIGHT PROBLEMS...	1	4451	1	8234
BAGGAGE...........	2	2128	2	4464
REFUNDS...........	3	1290	4	2082
CUSTOMER SERVICE..	4	1072	3	2258
TICKETING/BOARDING	5	1027	5	1854
OVERSALES.........	6	777	6	1519
OTHER.............	7	715	7	1143
FARES.............	8	447	9	928
SMOKING...........	9	287	8	843
ADVERTISING.......	10	108	11	182
TOURS.............	11	89	10	171
CREDIT............	12	21	12	35
		-----		-----
INDUSTRY TOTAL		12403		23783

* A DETAILED EXPLANATION OF THE COMPLAINT CATEGORIES IS ATTACHED

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

COMPLAINTS AGAINST U.S. AIRLINES

BY CATEGORY

U.S. AIRLINES ALPHABETICAL	FLIGHT PROBLEMS	O'"ER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AERO VIRGIN ISLANDS	3	1	0	0	0	0	1	0	0	0	0	0	5
AIR AMERICA	14	7	1	1	2	8	2	0	0	0	1	0	36
AIR WISCONSIN	6	0	0	0	0	0	0	0	0	0	0	0	6
AIRWAYS INTL., INC	3	0	0	0	2	4	0	0	0	0	0	0	9
ALASKA AIRLINES	12	2	7	4	3	11	3	2	0	0	0	0	44
ALOHA AIRLINES	0	2	2	0	1	4	1	0	0	0	0	1	11
AMERICA WEST AIRLINES	44	32	13	11	16	39	18	5	1	0	1	9	189
AMERICAN AIRLINES	280	39	73	30	39	131	113	30	7	2	4	133	881
AMERICAN EAGLE	12	6	1	1	3	5	0	0	0	1	0	0	29
AMERICAN TRANS AIR	13	0	0	0	2	4	4	0	0	0	4	2	29
ATLANTIC SOUTHEAST AIRLINES	12	1	4	0	0	9	0	0	0	0	0	1	27
BRANIFF INC.	72	8	14	2	51	26	6	0	3	0	0	3	185
BRANIFF INC.	0	0	0	1	13	1	0	0	0	0	0	0	15
BRITT AIRWAYS	2	1	1	1	0	0	0	0	0	0	0	0	5
COMAIR	5	2	0	0	0	1	2	0	0	0	0	0	10
CONTINENTAL AIRLINES	353	64	96	43	174	204	108	30	18	4	2	76	1172
CONTINENTAL EXPRESS	2	5	1	0	1	7	0	0	0	0	0	0	16
DELTA AIR LINES	133	24	75	41	39	65	50	32	5	0	0	30	494
DELTA CONNECTION	6	3	0	0	0	1	0	0	0	0	0	1	11
EASTERN AIR LINES	382	25	48	11	186	158	87	6	4	0	2	35	944
EASTERN EXPRESS	4	2	0	0	0	2	0	0	0	0	0	1	9
EASTERN METRO EXPRESS	5	0	0	0	1	1	0	0	0	0	0	0	7
GULF AIR, INC.	2	0	0	0	0	4	1	0	0	0	1	0	8
HAWAIIAN AIRLINES	121	13	7	4	7	53	22	3	0	1	1	5	237
HOLIDAY AIRLINES	3	3	0	0	7	0	0	0	0	0	0	0	13
HORIZON AIRLINES	3	1	1	0	1	3	1	0	0	0	0	0	10
KEY AIRLINES	2	0	0	0	0	2	1	0	0	0	0	0	5
MALL AIRWAYS	4	0	0	1	2	0	0	0	0	0	0	2	9
MESA AVIATION SERVICES	2	3	1	0	1	0	0	0	0	0	0	1	8
MESABA AVIATION	12	1	0	0	0	3	0	0	0	0	0	0	16
MIDWAY AIRLINES	38	5	7	1	2	9	9	4	1	0	0	1	77
NORTHWEST AIRLINES	379	34	60	21	46	96	74	3	8	1	0	36	758
NORTHWEST AIRLINK	10	2	2	0	1	1	2	0	0	0	0	0	18
PAN AM EXPRESS	1	3	2	0	1	10	0	0	0	0	0	0	17
PAN AMERICAN WORLD AIRWAYS	293	87	84	33	112	248	107	28	13	2	0	47	1080

AIRLINES ARE LISTED IF DOT RECEIVED 5 OR MORE COMPLAINTS AGAINST THEM DURING THE REPORTING PERIOD.

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

COMPLAINTS AGAINST U.S. AIRLINES

BY CATEGORY

U.S. AIRLINES ALPHABETICAL	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
PIEDMONT AIRLINES	198	15	17	11	15	44	31	4	1	0	0	9	345
PIEDMONT AIRLINES	13	4	0	2	2	2	0	0	0	0	0	0	23
PRESIDENTIAL AIRWAYS	10	1	1	0	1	0	1	0	0	0	0	0	14
RESORT AIR	2	1	2	0	1	0	0	0	0	0	0	0	6
RESORT AIRLINES	4	1	0	0	0	0	0	0	0	0	0	0	5
SIMMONS AIRLINES	3	0	0	0	0	2	0	0	0	0	0	0	5
SKY WEST AVIATION	8	2	0	0	1	2	1	0	0	0	0	0	14
SOUTHWEST AIRLINES	55	17	24	3	14	28	18	1	2	0	0	2	164
SUN COUNTRY AIRLINES	1	1	0	0	0	3	1	0	0	0	0	1	7
TOWER AIR	10	1	1	0	1	6	2	2	0	0	1	0	24
TRANS INTERNAT'L AIRLINES	3	1	0	0	1	6	0	0	0	0	0	1	12
TRANS WORLD AIRLINES	483	75	121	56	124	231	131	30	20	4	3	28	1346
TRANS WORLD EXPRESS	5	3	3	0	0	3	0	0	0	0	0	0	14
TRUMP SHUTTLE, INC.	2	0	2	0	0	0	1	0	2	0	0	0	7
UNITED AIRLINES	541	41	73	32	81	125	94	33	1	4	1	60	1086
UNITED EXPRESS	13	3	3	0	2	3	2	0	0	0	0	0	26
USAIR	493	44	65	31	44	117	104	21	2	0	0	37	958
OTHER U.S. AIRLINES	54	11	9	0	23	22	4	0	0	0	1	3	127
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	----	-----
JANUARY 1989 THROUGH DECEMBER 1989	4111	607	821	341	1023	1702	1002	232	89	19	22	584	10553
PERCENT OF TOTAL COMPLAINTS	38.9	5.7	7.7	3.2	9.6	16.1	9.4	2.1	.8	.1	.2	5.5	100.0
JANUARY 1988 THROUGH DECEMBER 1988	8834	1312	1442	455	1663	3915	2122	497	139	36	37	978	21430
PERCENT OF TOTAL COMPLAINTS	41.2	6.1	6.7	2.1	7.7	18.2	9.9	2.3	.6	.1	.1	4.5	100.0

AIRLINES ARE LISTED IF DOT RECEIVED 5 OR MORE COMPLAINTS AGAINST THEM DURING THE REPORTING PERIOD.

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

COMPANIES OTHER THAN U.S. AIRLINES

BY CATEGORY

FOREIGN AIRLINES	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
AER LINGUS	4	1	1	0	1	4	0	1	0	0	0	1	13
AEROFLOT	0	0	4	0	0	3	0	0	0	0	0	0	7
AEROLINEAS ARGENTINAS	0	0	2	0	0	3	0	0	0	0	0	1	6
AEROPERU	1	1	0	0	0	7	0	0	0	0	0	0	9
AEROVIAS DE MEXICO	1	7	1	0	6	1	0	0	0	0	0	0	16
AIR AFRIQUE	3	3	0	0	0	2	0	0	0	0	0	0	8
AIR CANADA	2	2	1	1	4	5	1	0	0	0	0	1	17
AIR FRANCE	4	2	2	1	3	18	2	1	0	0	0	0	33
AIR INDIA	2	4	5	0	2	9	0	0	0	0	0	2	24
AIR JAMAICA	19	11	3	0	1	12	4	0	1	0	0	2	53
ALITALIA AIRLINES	3	0	2	2	5	7	0	0	0	0	0	0	19
ALM	2	6	2	0	1	5	1	0	0	0	0	0	17
AVIANCA	3	3	2	1	4	6	0	0	0	0	0	0	19
AVIATECA	0	0	0	0	1	15	0	0	0	0	0	0	16
BAHAMASAIR HOLDINGS	5	5	1	1	2	8	1	1	0	0	0	0	24
BRITISH AIRWAYS	23	7	11	3	17	17	8	5	2	0	0	4	97
BWIA	8	5	3	0	3	13	3	0	0	0	0	0	35
CANADIAN AIRLINES INTL. LTD.	3	1	0	0	3	2	0	0	0	0	0	0	9
CATHAY PACIFIC AIRWAYS	0	1	0	0	0	0	5	1	0	0	0	1	8
CHINA AIRLINES	1	0	1	0	2	1	0	1	0	0	0	0	6
DOMINICANA DE AVIACION	4	4	0	0	1	11	0	0	0	0	0	0	20
ECUATORIANA	5	4	3	0	2	3	0	0	0	0	0	0	17
EGYPTAIR	1	2	1	0	1	2	0	0	0	0	0	0	7
EL AL ISRAEL	2	0	3	1	2	8	1	1	0	0	0	0	18
FINNAIR	0	2	0	0	0	3	0	0	0	0	0	0	5
GULF AIR	3	0	0	0	0	2	0	0	0	0	0	1	6
GUYANA AIRWAYS CORP.	7	0	0	0	1	2	0	0	0	0	0	0	10
IBERIA AIRLINES	7	5	2	2	1	7	0	1	1	0	0	0	26
ICELANDAIR	1	3	0	1	0	0	0	0	1	0	0	0	6
JAPAN AIR LINES COMPANY	1	0	1	0	0	4	0	0	0	0	0	0	6

AIRLINES ARE LISTED IF DOT RECEIVED 5 OR MORE COMPLAINTS AGAINST THEM DURING THE REPORTING PERIOD.

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

COMPANIES OTHER THAN U.S. AIRLINES

BY CATEGORY

FOREIGN AIRLINES	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
KLM	0	4	3	0	11	12	0	0	0	0	0	0	30
KOREAN AIR LINES	4	1	2	1	5	3	0	0	0	1	0	1	18
KUWAIT AIRWAYS	1	3	3	0	1	4	0	0	0	0	0	0	12
LACSA	3	3	0	0	3	5	1	0	0	0	0	0	15
LOT POLISH AIRLINES	1	0	0	0	0	4	0	0	0	0	0	0	5
LUFTHANSA	3	3	9	0	8	11	3	1	0	0	0	3	41
MEXICANA	17	8	3	1	6	31	3	0	0	0	0	4	74
NIGERIA AIRWAYS	2	1	0	0	0	9	0	0	0	0	0	0	12
OLYMPIC AIRWAYS	2	3	2	1	5	1	0	1	0	0	0	0	15
PAKISTAN INTERNATIONAL AIRLINES	2	4	0	0	1	6	2	0	0	0	0	0	15
PHILIPPINE AIRLINES	0	2	0	2	1	4	0	0	0	0	0	0	9
QANTAS AIRWAYS	1	1	1	1	1	1	2	0	0	0	0	0	8
ROYAL AIR MAROC	0	0	0	1	0	2	0	0	0	0	1	1	5
ROYAL JORDANIAN AIRLINES	0	0	3	0	0	3	0	0	0	0	0	0	6
SABENA	3	0	3	0	2	6	2	0	0	0	0	1	17
SINGAPORE AIRLINES	2	0	2	1	3	0	1	0	0	0	0	0	9
TACA INTERNATIONAL AIRLINES	0	4	1	0	2	4	0	0	0	0	0	0	11
TAN AIRLINES	0	2	0	0	2	2	0	0	0	0	0	0	6
TAP	0	1	1	0	0	1	1	0	1	0	1	0	6
THAI AIRWAYS INTERNATIONAL	4	1	1	0	1	2	1	1	0	0	0	0	11
TURK HAVA YOLLARI	0	0	1	0	0	3	1	0	0	0	0	0	5
VARIG AIRLINES	1	4	3	0	0	1	0	0	0	0	0	0	9
VIASA	5	1	2	0	0	10	1	0	0	0	1	0	20
VIRGIN ATLANTIC	2	2	4	2	1	0	0	0	3	0	0	0	14
YUGOSLAV AIRLINES	7	7	1	0	4	10	0	0	0	0	0	1	30
OTHER FOREIGN AIRLINES	20	15	11	4	21	38	3	1	1	0	2	4	120
TOTAL	195	150	107	27	141	353	47	18	10	1	5	28	1080

AIRLINES ARE LISTED IF DOT RECEIVED 5 OR MORE COMPLAINTS AGAINST THEM DURING THE REPORTING PERIOD.

CONSUMER AFFAIRS DIVISION
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY 1989 THROUGH DECEMBER 1989
AIR TRAVEL MONTHLY CONSUMER COMPLAINT REPORT

COMPANIES OTHER THAN U.S. AIRLINES

BY CATEGORY

	FLIGHT PROBLEMS	OVER-SALES	RESERVATIONS TICKETING BOARDING	FARES	REFUNDS	BAGGAGE	CUSTOMER SERVICE	SMOKING	ADVER-TISING	CREDIT	TOURS	OTHER	TOTAL
CARGO COMPANIES													
EMERY AIR FREIGHT	0	0	0	0	1	5	0	0	0	0	0	5	11
FEDERAL EXPRESS	0	0	0	0	0	2	0	0	0	0	0	3	5
OTHER CARGO COMPANIES	0	0	0	0	0	6	0	0	0	0	0	14	20
TOTAL	0	0	0	0	1	13	0	0	0	0	0	22	36
TRAVEL AGENTS													
OTHER TRAVEL AGENTS	4	2	48	9	44	1	1	0	1	0	15	3	128
TOTAL	4	2	48	9	44	1	1	0	1	0	15	3	128
TOUR OPERATORS													
BO VOYAGE	1	0	1	0	2	0	1	0	0	0	4	0	9
MAP TOURS	2	0	1	0	2	0	0	0	0	0	1	0	6
TRANS NATIONAL TRAVEL	7	0	0	0	1	0	1	0	0	0	2	0	11
TRANSOCEAN CHARTER CORPORATION	5	0	0	0	0	1	1	0	0	0	0	1	8
OTHER TOUR OPERATORS	10	3	5	0	33	1	1	1	3	0	35	2	94
TOTAL	25	3	7	0	38	2	4	1	3	0	42	3	128
MISCELLANEOUS COMPANIES													
OTHER MISCELLANEOUS COMPANIES	116	15	44	70	43	58	16	16	8	1	15	76	478
TOTAL	116	15	44	70	43	58	16	16	8	1	15	76	478

AIRLINES ARE LISTED IF DOT RECEIVED 5 OR MORE COMPLAINTS AGAINST THEM DURING THE REPORTING PERIOD.

OFFICE OF CONSUMER AFFAIRS
U.S. DEPARTMENT OF TRANSPORTATION

JANUARY - DECEMBER 1989
AIR TRAVEL CONSUMER COMPLAINT REPORT
MAJOR/NATIONAL U.S. AIRLINES*

RANKINGS

JAN-DEC '89 RANK	U.S. AIRLINES (MAJORS/NATIONALS)	JAN-DEC 1989			JAN-DEC 1988		
		COMPLAINTS	PASSENGERS**	COMPLAINTS PER 100,000 PASSENGERS	COMPLAINTS	PASSENGERS**	COMPLAINTS PER 100,000 PASSENGERS
1	*Eastern*	944	14,569,652	6.48	3,561	35,714,321	9.97
2	*Pan Am*	1,060	17,378,434	6.10	1,596	17,033,017	9.37
3	*Trans World*	1,346	25,349,739	5.31	1,957	25,195,953	7.77
4	*Tower*	24	453,731	5.29	23	468,411	4.91
5	*Hawaiian*	237	5,657,182	4.19	441	5,792,660	7.61
6	*Braniff****	200	4,775,226	4.19	205	4,797,979	4.27
7	*Continental*	1,172	35,660,490	3.29	4,489	37,864,857	11.86
8	*Piedmont*****	368	16,669,803	2.21	486	27,125,160	1.79
9	*USAir*	958	44,677,807	2.14	740	32,644,932	2.27
10	*United*	1,086	54,949,249	1.98	1,579	56,371,613	2.80
11	*Northwest*	758	38,849,008	1.95	2,228	35,956,491	6.20
12	*Midway*	77	4,708,460	1.64	114	4,268,784	2.67
13	*America West*	189	13,427,931	1.41	286	12,795,163	2.24
14	*American Trans Air*	29	2,262,589	1.28	67	1,880,497	3.56
15	*American*	881	72,359,581	1.22	1,366	64,309,779	2.12
16	*Alaska*	44	5,017,087	0.88	60	4,887,555	1.23
17	*Southwest*	164	20,303,883	0.81	210	16,878,767	1.24
18	*Delta*	494	68,251,259	0.72	823	60,009,064	1.37
19	*Horizon*	10	1,598,313	0.63	19	1,408,272	1.35
20	*Aloha*	11	3,667,764	0.30	31	3,432,855	0.90
21	*Air Wisconsin*	6	2,195,013	0.27	15	2,419,874	0.62
	Total	10,058	452,782,201	2.22	20,281	449,816,350	4.52

* Airlines are grouped based on annual operating revenues. Airlines are classified as Majors if they exceed $1,000,000,000 operating revenue. Nationals are airlines with operating revenues from $100,000,000 through $1,000,000,000.

** The number of passengers on this page is from the same month as the complaints; e.g., January complaints are compared against January passengers.

*** Braniff ceased scheduled operations November 24, 1989.

**** Piedmont ceased operations on August 5, 1989.

COMPLAINT CATEGORIES

Flight Problems: Cancellations, delays, or any other deviations from schedule, whether planned or unplanned.

Oversales: All bumping problems, whether or not the airline complied with DOT oversale regulations.

Reservations, Ticketing and Boarding: Airline or travel agent mistakes in reservations and ticketing; problems in making reservations and obtaining tickets due to busy telephone lines or waiting in line, or delays in mailing tickets. Problems boarding the aircraft (except oversales).

Fares: Incorrect or incomplete information about fares, discount fare conditions and availability, overcharges, fare increases and level of fares in general.

Refunds: Problems in obtaining refunds for unused or lost tickets or fare adjustments.

Baggage: Claims for lost, damaged or delayed baggage, charges for excess baggage, carry-on problems, and difficulties with airline claim procedure.

Customer Service: Rude or unhelpful employees, inadequate meals or cabin service, treatment of delayed passengers.

Smoking: Inadequate segregation of smoker from non-smokers; failure of airline to enforce no-smoking rules; objections to the rule, would prefer change such as: (1) relaxation or elimination of regulations, or (2) banning of smoking on all flights.

Advertising: Advertising that is unfair, misleading or offensive to consumers.

Credit: Denial of credit, interest or late payment charges, incorrect billing, or incorrect credit reports on airline-issued credit.

Tours: Problems with scheduled or charter tour packages.

Other: Cargo problems, security, airport facilities, claims for bodily injury, and other problems not classified above.

MOST/LEAST AIRLINE COMPLAINTS

Mr. **Coughlin**. Please also update for the record the listing of the five most/least complained about airlines, as shown on page 439 of last year's hearing record.

[The information follows:]

MOST/LEAST COMPLAINED ABOUT AIRLINES—1989 (BASED ON RATE OF COMPLAINTS PER 100,000 PASSENGERS)

The following are the five most complained about (major/national) airlines in 1989:

Airline	Total complaints	Rate (per 100,000 passengers)
Eastern	944	6.48
Pan Am	1,060	6.10
TWA	1,346	5.31
Tower	24	5.29
Hawaiian	237	4.19

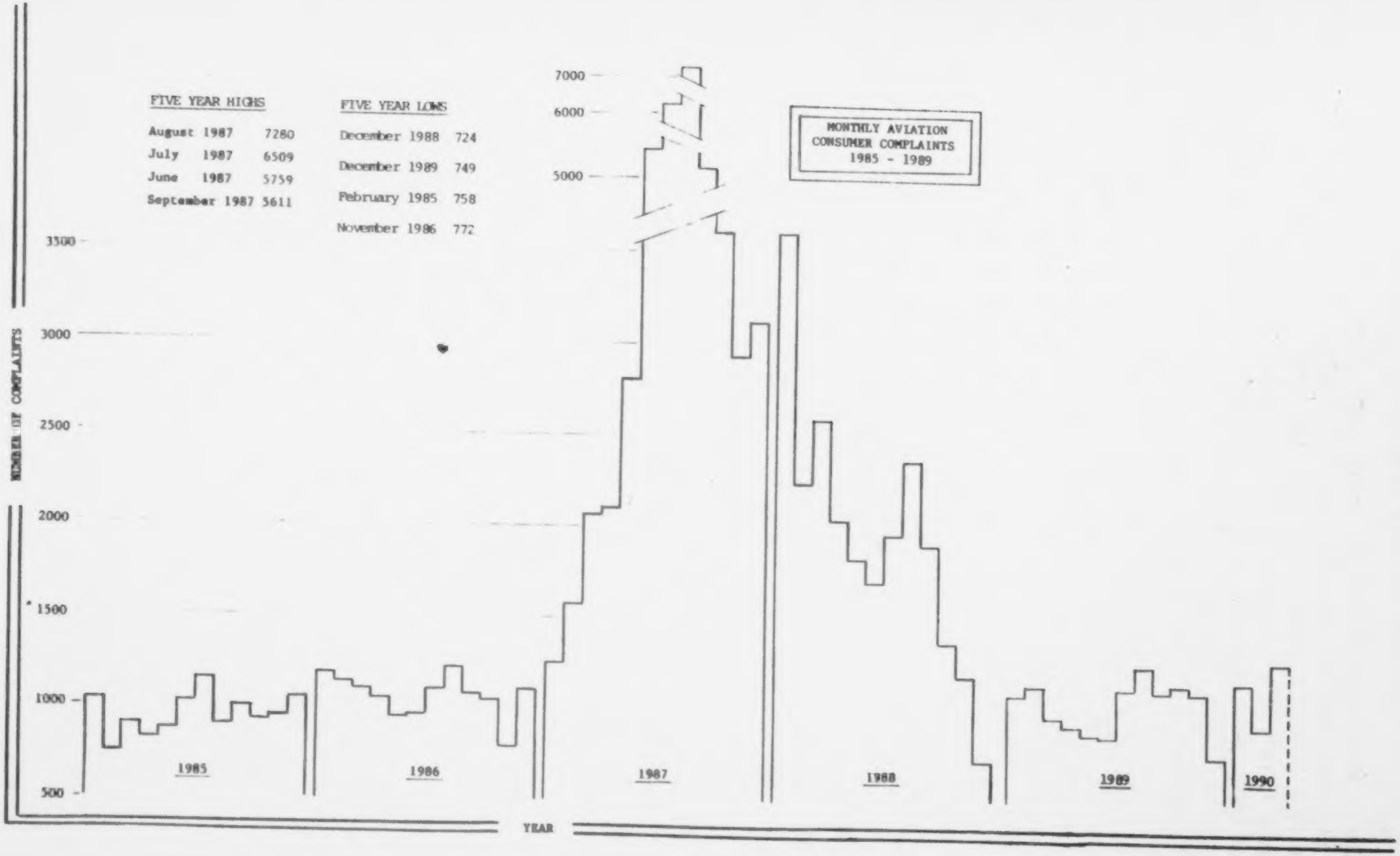
The following are the five least complained about (major/national) airlines in 1989:

Airline	Total complaints	Rate (per 100,000 passengers)
Air Wisconsin	6	.27
Aloha	11	.30
Horizon	10	.63
Delta	494	.72
Southwest	164	.81

AIRLINE COMPLAINTS BAR CHART

Mr. **Coughlin**. Please also update the bar chart on airline complaints shown on page 451 of last year's hearing record.

[The information follows:]


MONTHLY AVIATION
CONSUMER COMPLAINTS
1985 - 1989
FIVE YEAR HIGHS
August 1987 7280
July 1987 6509
June 1987 5759
September 1987 5611
FIVE YEAR LOWS
December 1988 724
December 1989 749
February 1985 758
November 1986 772
NUMBER OF COMPLAINTS
500
1000
1500
2000
2500
3000
3500
5000
6000
7000
1985
1986
1987
1988
1989
1990
YEAR

AIRLINE TRENDS IN ON-TIME PERFORMANCE

Mr. COUGHLIN. Although complaints were down overall, the on-time performance was the worst it had been in a long time. What are the overall trends in on-time performance?

Ms. CHAO. An average of 76.3 percent operated on time in calendar 1989 as compared to 88.8 percent in calendar year 1988. The February 1990 figure of 73.2 percent was better than February 1989, when the carriers operated at 72.4 percent on time arrive level.

It is hard to say why there is a percentage increase. A lot of the time it is due to weather. A lot depends on what happens in O'Hare because it is centrally located in the system. O'Hare is the greatest connecting hub. What happens in O'Hare affects the rest of the system.

We have a task force on delays in O'Hare. The Secretary is concerned with working toward adding a third airport in the Chicago area as well.

Mr. COUGHLIN. The IG suggests some of the airlines are significantly under-reporting their delays. Do you have any comments on that?

Ms. CHAO. If that is what the IG says, I will certainly look into that. I am not aware of that yet. Thank you.

AIRLINE ON-TIME STATISTICS

Mr. COUGHLIN. Please update for the record the on-time percentage statistics and rankings, as shown on pages 407–411 of last year's hearing record.

[The information follows:]

MAY 1989
AIR TRAVEL CONSUMER REPORT

TABLE 1A. OVERALL PERCENTAGE OF REPORTED FLIGHT OPERATIONS ARRIVING ON TIME AND CARRIER RANK, BY MONTH, QUARTER, AND DATA BASE TO DATE

CARRIER	2ND QUARTER APR-JUN 88		3RD QUARTER JUL-SEP 88		4TH QUARTER OCT-DEC 88		1ST QUARTER JAN-MAR 89		MAR 89		APR 89		MAY 89		12 MONTHS JUN88-MAY89		DATA BASE TO DATE SEP 87-MAY 89	
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK
ALASKA	80.7	(9)	85.5	(5)	73.5	(13)	77.2	(5)	77.4	(4)	87.5	(4)	87.0	(3)	80.7	(6)	78.4	(7)
AMERICA WEST	91.5	(1)	92.7	(1)	81.6	(3)	81.5	(2)	84.9	(1)	92.8	(2)	91.7	(1)	87.0	(1)	85.3	(1)
AMERICAN	86.9	(5)	86.5	(4)	79.2	(5)	71.3	(10)	70.6	(8)	85.9	(5)	81.7	(6)	80.5	(7)	81.2	(3)
CONTINENTAL	82.8	(7)	85.3	(6)	78.3	(6)	77.4	(4)	78.1	(3)	85.3	(7)	80.4	(7)	81.4	(5)	78.5	(6)
DELTA	87.2	(4)	87.1	(3)	82.4	(2)	75.8	(7)	76.7	(5)	84.2	(9)	81.7	(5)	82.5	(3)	79.2	(4)
EASTERN *	78.0	(12)	82.4	(7)	87.9	(1)	81.6	(1)*	----	-- *	92.9	(1) *	87.2	(2) *	84.2	(2) *	78.8	(5) *
NORTHWEST	84.2	(6)	77.8	(11)	77.3	(11)	80.4	(3)	82.1	(2)	89.7	(3)	83.6	(4)	80.4	(8)	76.9	(8)
PACIFIC SW **	91.1	(3) **	----	--	----	--	----	--	----	--	----	--	----	--	----	--	75.2	(12)
PAN AMERICAN	72.5	(14)	75.4	(13)	78.0	(8)	73.0	(9)	69.1	(9)	70.9	(12)	69.6	(13)	74.3	(13)	74.9	(14)
PIEDMONT	80.7	(11)	80.4	(9)	77.8	(9)	66.3	(13)	56.1	(12)	70.7	(13)	71.0	(12)	74.9	(12)	75.1	(13)
SOUTHWEST	91.2	(2)	90.5	(2)	79.9	(4)	74.5	(8)	75.3	(6)	84.2	(8)	77.9	(10)	82.4	(4)	83.6	(2)
TWA	80.7	(10)	79.0	(10)	78.1	(7)	70.1	(11)	66.8	(10)	80.8	(10)	79.0	(9)	76.7	(10)	75.8	(10)
UNITED	81.1	(8)	82.0	(8)	74.2	(12)	67.1	(12)	66.4	(11)	80.2	(11)	73.9	(11)	75.4	(11)	75.8	(11)
USAIR	74.9	(13)	77.6	(12)	77.7	(10)	76.1	(6)	73.0	(7)	85.6	(6)	79.4	(8)	78.0	(9)	76.5	(9)
TOTAL	83.0		83.3		79.1		73.9		72.3		83.4		79.5		79.7		78.3	

* EASTERN DATA FOR MARCH ARE NOT INCLUDED, AND EASTERN DATA FOR APRIL AND MAY REFLECT REDUCED OPERATIONS, DUE TO EASTERN AIR LINES STRIKE.

** BASED ON PACIFIC SW DATA FOR THE PERIOD APRIL 1-8, 1988. USAIR CONSOLIDATED PACIFIC SW'S OPERATIONS INTO THE USAIR SYSTEM ON APRIL 9, 1988, AND SUBSEQUENT OPERATIONS ARE INCLUDED IN THE USAIR RESULTS.

AUGUST 1989
AIR TRAVEL CONSUMER REPORT

TABLE 1A. OVERALL PERCENTAGE OF REPORTED FLIGHT OPERATIONS ARRIVING ON TIME AND CARRIER RANK, BY MONTH, QUARTER, AND DATA BASE TO DATE

CARRIER	3RD QUARTER JUL-SEP 88		4TH QUARTER OCT-DEC 88		1ST QUARTER JAN-MAR 89		2ND QUARTER APR-JUN 89		JUN 89		JUL 89		AUG 89		12 MONTHS SEP88-AUG89		DATA BASE TO DATE SEP 87-AUG 89	
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK
ALASKA	85.5	(5)	73.5	(13)	77.2	(5)	84.8	(3)	80.4	(2)	82.2	(5)	75.8	(9)	79.4	(5)	78.5	(6)
AMERICA WEST	92.7	(1)	81.6	(3)	81.5	(2)	91.7	(1)	90.8	(1)	89.4	(1)	87.0	(1)	86.2	(2)	85.8	(1)
AMERICAN	86.5	(4)	79.2	(5)	71.3	(10)	81.3	(5)	76.2	(5)	83.8	(4)	83.6	(4)	79.2	(7)	81.2	(3)
CONTINENTAL	85.3	(6)	78.3	(6)	77.4	(4)	79.6	(7)	72.5	(8)	80.8	(6)	79.3	(5)	79.3	(6)	78.3	(7)
DELTA	87.1	(3)	82.4	(2)	75.8	(7)	79.3	(8)	72.0	(9)	79.1	(8)	79.0	(6)	79.9	(4)	78.9	(5)
EASTERN *	82.4	(7)	87.9	(1)	81.6	(1)	87.5	(2)	80.1	(3)	86.0	(2)	86.9	(2)	86.4	(1)	79.0	(4)
NORTHWEST	77.8	(11)	77.3	(11)	80.4	(3)	82.7	(4)	75.1	(7)	77.6	(9)	74.6	(10)	79.1	(8)	76.8	(8)
PAN AMERICAN	75.4	(13)	78.0	(8)	73.0	(9)	68.4	(12)	64.4	(11)	73.9	(10)	75.9	(8)	74.2	(11)	74.4	(11)
PIEDMONT **	80.4	(9)	77.8	(9)	66.3	(13)	68.2	(13)	62.8	(13)	67.6	(12)	65.7	(11)	71.7	(12)	75.1	(12)
SOUTHWEST	91.5	(2)	79.9	(4)	74.5	(8)	79.2	(9)	75.0	(6)	85.4	(3)	84.6	(3)	80.1	(3)	83.3	(2)
TWA	79.0	(10)	78.1	(7)	70.1	(11)	79.4	(6)	78.6	(4)	79.8	(7)	78.3	(7)	76.9	(9)	76.2	(9)
UNITED	82.0	(8)	74.2	(12)	67.1	(12)	72.5	(11)	63.0	(12)	62.3	(13)	60.1	(13)	77.7	(13)	75.1	(13)
USAIR	77.6	(12)	77.7	(10)	76.1	(6)	78.2	(10)	69.4	(10)	72.2	(11)	62.6	(12)	75.4	(10)	76.9	(10)
TOTAL	83.3		79.1		73.9		78.4		72.2		76.9		74.6		77.6		77.8	

* EASTERN DATA FOR MARCH ARE NOT INCLUDED, AND EASTERN DATA FOR APRIL-AUGUST REFLECT REDUCED OPERATIONS, DUE TO EASTERN AIR LINES STRIKE.

** USAIR CONSOLIDATED PIEDMONT'S OPERATIONS INTO THE USAIR SYSTEM ON AUGUST 5, 1989, AND SUBSEQUENT OPERATIONS ARE INCLUDED IN THE USAIR RESULTS.

NOVEMBER 1989
AIR TRAVEL CONSUMER REPORT

TABLE 1A. OVERALL PERCENTAGE OF REPORTED FLIGHT OPERATIONS ARRIVING ON TIME AND CARRIER RANK, BY MONTH, QUARTER, AND DATA BASE TO DATE

CARRIER	4TH QUARTER OCT-DEC 88		1ST QUARTER JAN-MAR 89		2ND QUARTER APR-JUN 89		3RD QUARTER JUL-SEP 89		SEP 89		OCT 89		NOV 89		12 MONTHS DEC88-NOV89		DATA BASE TO DATE SEP 87-NOV 89	
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK
ALASKA	73.5	(13)	77.2	(5)	84.8	(3)	80.4	(6)	83.7	(4)	79.8	(7)	80.1	(5)	79.7	(4)	78.8	(6)
AMERICA WEST	81.6	(3)	81.9	(2)	91.7	(1)	87.7	(1)	86.7	(2)	77.1	(9)	76.9	(9)	84.4	(1)	85.1	(1)
AMERICAN	79.2	(5)	71.3	(10)	81.3	(5)	84.0	(3)	84.6	(3)	85.8	(1)	85.5	(1)	79.7	(5)	81.6	(3)
CONTINENTAL	78.3	(6)	77.4	(4)	79.4	(7)	80.9	(5)	83.6	(5)	83.4	(4)	79.9	(7)	79.3	(6)	78.7	(7)
DELTA	82.4	(2)	75.8	(7)	79.3	(8)	80.2	(7)	82.7	(6)	83.8	(3)	80.1	(6)	79.1	(7)	79.3	(4)
EASTERN *	87.9	(1)	81.6	(1)	87.5	(2)	83.6	(4)	80.6	(8)	83.9	(2)	81.3	(4)	83.7	(2)	79.2	(5)
NORTHWEST	77.3	(11)	80.4	(3)	82.7	(4)	75.6	(10)	74.6	(11)	77.3	(8)	76.7	(11)	78.9	(8)	76.7	(9)
PAN AMERICAN	78.0	(8)	73.0	(9)	69.4	(12)	75.8	(9)	77.7	(9)	76.8	(11)	76.9	(10)	73.4	(10)	74.8	(10)
PIEDMONT **	77.8	(9)	66.3	(13)	68.2	(13)	67.4	(12)	----	--	----	--	----	--	67.8	(13)	74.1	(12)
SOUTHWEST	79.9	(4)	74.5	(8)	79.2	(9)	85.6	(2)	86.9	(1)	82.6	(5)	81.4	(3)	80.3	(3)	83.4	(2)
TWA	78.1	(7)	70.1	(11)	79.4	(6)	80.0	(8)	82.2	(7)	82.4	(6)	81.8	(2)	77.3	(9)	76.8	(8)
UNITED	74.2	(12)	67.1	(12)	72.5	(11)	66.1	(13)	76.1	(10)	76.9	(10)	78.1	(8)	70.1	(12)	74.4	(11)
USAIR	77.7	(10)	76.1	(6)	78.2	(10)	68.3	(11)	71.7	(12)	70.3	(12)	68.4	(12)	72.5	(11)	73.9	(13)
TOTAL	79.1		73.9		78.4		77.0		79.6		79.5		78.0		76.8		78.0	

* EASTERN DATA FOR MARCH ARE NOT INCLUDED, AND EASTERN DATA FOR APRIL-NOVEMBER REFLECT REDUCED OPERATIONS, DUE TO EASTERN AIR LINES STRIKE.

** USAIR CONSOLIDATED PIEDMONT'S OPERATIONS INTO THE USAIR SYSTEM ON AUGUST 5, 1989, AND SUBSEQUENT OPERATIONS ARE INCLUDED IN THE USAIR RESULTS.

FEBRUARY 1990
AIR TRAVEL CONSUMER REPORT

TABLE 1A. OVERALL PERCENTAGE OF REPORTED FLIGHT OPERATIONS ARRIVING ON TIME AND CARRIER RANK, BY MONTH, QUARTER, AND DATA BASE TO DATE

CARRIER	1ST QUARTER JAN-MAR 89		2ND QUARTER APR-JUN 89		3RD QUARTER JUL-SEP 89		4TH QUARTER OCT-DEC 89		DEC 89		JAN 90		FEB 90		12 MONTHS MAR89-FEB90		DATA BASE TO DATE SEP 87-FEB 90	
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK
ALASKA	77.2	(5)	84.8	(3)	80.4	(6)	76.5	(8)	69.7	(9)	76.4	(8)	71.1	(10)	79.2	(4)	78.2	(7)
AMERICA WEST	81.5	(2)	91.7	(1)	87.7	(1)	75.6	(10)	72.9	(5)	75.8	(9)	76.5	(4)	83.4	(1)	84.0	(1)
AMERICAN	71.3	(10)	81.3	(5)	84.0	(3)	81.7	(2)	74.1	(3)	80.8	(5)	72.2	(7)	80.4	(3)	81.1	(3)
CONTINENTAL	77.4	(4)	79.4	(7)	80.9	(5)	78.3	(4)	71.6	(6)	79.5	(6)	68.9	(12)	78.6	(6)	78.2	(6)
DELTA	75.8	(7)	79.3	(8)	80.2	(7)	78.4	(3)	71.4	(7)	75.3	(10)	71.3	(9)	78.1	(7)	78.6	(4)
EASTERN *	81.6	(1)	87.5	(2)	83.6	(4)	78.0	(5)	69.1	(10)	70.7	(12)	70.8	(11)	77.5	(9)	78.5	(5)
NORTHWEST	80.4	(3)	82.7	(4)	75.6	(10)	76.9	(7)	76.7	(2)	81.0	(4)	78.4	(2)	78.9	(5)	76.9	(8)
PAN AMERICAN	73.0	(9)	68.4	(12)	75.8	(9)	75.7	(9)	73.5	(4)	81.3	(3)	79.6	(1)	74.3	(10)	75.2	(10)
PIEDMONT **	66.3	(13)	68.2	(13)	67.4	(12)	----	--	----	--	----	--	----	--	65.6	(13)	74.1	(12)
SOUTHWEST	74.5	(8)	79.2	(9)	85.6	(2)	81.9	(1)	81.6	(1)	82.5	(1)	77.7	(3)	81.4	(2)	83.1	(2)
TWA	70.1	(11)	79.4	(6)	80.0	(8)	77.4	(6)	67.8	(11)	81.4	(2)	75.6	(5)	77.9	(8)	76.7	(9)
UNITED	67.1	(12)	72.5	(11)	66.1	(13)	75.2	(11)	70.7	(8)	78.4	(7)	71.5	(8)	71.3	(11)	74.3	(11)
USAIR	76.1	(6)	78.2	(10)	68.3	(11)	68.1	(12)	59.4	(12)	74.8	(11)	73.4	(6)	70.7	(12)	73.1	(13)
TOTAL	73.9		78.4		77.0		75.9		70.2		77.6		73.2		76.4		77.6	

* EASTERN DATA FOR MARCH 1989 ARE NOT INCLUDED, AND EASTERN DATA FOR APRIL-FEBRUARY REFLECT REDUCED OPERATIONS, DUE TO EASTERN AIR LINES STRIKE.

** USAIR CONSOLIDATED PIEDMONT'S OPERATIONS INTO THE USAIR SYSTEM ON AUGUST 5, 1989, AND SUBSEQUENT OPERATIONS ARE INCLUDED IN THE USAIR RESULTS.

AIRLINE FLIGHT DELAY STATISTICS

Mr. Coughlin. Please also update the data on flight delays for each of the 22 pacing airports, as shown on page 443 of last year's hearing record.

[The information follows:]

DELAYS AT 22 PACING AIRPORTS

	Total Delays		Delay Rate (%)		Ranking: # of Delays		Ranking: Rate of Delays	
	1988	1989	1988	1989	1988	1989	1988	1989
Atlanta-Hartsfield	27,596	17,317	3.6%	2.5%	3	6	6	9
Boston-Logan	13,122	13,071	3.0%	3.1%	8	8	8	6
Chicago-O'Hare	62,300	69,173	7.7%	8.8%	1	1	2	3
Cleveland-Hopkins	1,248	541	0.5%	0.2%	18	20	18	20
Dallas/Ft. Worth	10,377	14,327	1.5%	2.1%	10	7	11	11
Denver-Stapleton	15,980	12,563	3.2%	2.7%	6	9	7	8
Detroit-Metropolitan	5,860	6,516	1.5%	1.7%	13	13	12	12
Fort Lauderdale	331	530	0.2%	0.2%	22	21	19	21
Houston Int'l	1,914	2,610	0.6%	0.8%	17	15	17	15
Kansas City Int'l	424	587	0.2%	0.3%	20	19	20	18
Las Vegas-McCarran	397	408	0.1%	0.1%	21	22	22	22
Los Angeles Int'l	6,825	6,645	1.1%	1.0%	12	12	14	14
Miami Int'l	786	1,055	0.2%	0.3%	19	18	21	19
Minneapolis Int'l	4,194	2,554	1.1%	0.7%	14	16	15	17
LaGuardia	19,234	40,972	5.3%	11.5%	5	2	4	1
John F. Kennedy	16,858	25,660	4.7%	7.6%	7	5	5	4
Newark Int'l	31,388	36,875	8.2%	9.8%	2	3	1	2
Greater Pittsburgh	2,816	2,530	0.7%	0.7%	16	17	16	16
Philadelphia Int'l	10,131	9,076	2.4%	2.4%	11	11	10	10
St. Louis-Lambert	10,814	11,778	2.5%	2.7%	9	10	9	7
San Francisco Int'l	26,774	29,595	5.9%	6.8%	4	4	3	5
Washington National	4,099	4,010	1.3%	1.3%	15	14	13	13

For CY 1988, just over 2.8% of all scheduled flights at the above 22 airports were delayed 15 minutes or more from the time the pilot requested clearance. For CY 1989, just over 3.3% of all scheduled flights at the above 22 airports were delayed 15 minutes or more from the time the pilot requested clearance.

Causes of System-Wide Delays (Percentage)	CY 1988	CY 1989
Weather	65.2	57.5
Airport/Airway Volume	27.2	35.5
Closed Runways/Taxiways	4.6	2.9
Equipment and Other	3.0	4.1

BAGGAGE HANDLING COMPLAINTS

Mr. COUGHLIN. Although baggage handling complaints had been going down, in December 1989 they went back up to the highest level in two years. Why was this, and what is the overall trend?

Ms. CHAO. Mishandling baggage problems filed against the 12 largest carriers declined to an average of 7.89 per 1000 passengers in February 1990, compared to 8.7 reports in January. So that is a downward trend.

Mr. COUGHLIN. Please update for the record the data on baggage handling complaints per 1,000 passengers enplaned as shown on page 406 of last year's hearing record.

[The information follows:]

Baggage complaints (per 1,000 Passengers Enplaned):

3 Best		3 Worst	
Carrier	Rate	Carrier	Rate
CY 1988 mishandled baggage reports:			
Southwest	3.79	TWA	10.90
Pan Am	3.90	Piedmont	8.98
Alaska	6.11	United	7.66
CY 1989 mishandled baggage reports:			
Southwest	3.77	TWA	9.08
Pan Am	4.69	Piedmont	9.03
Eastern	6.11	USAir	7.22

DECEPTIVE TRADE PRACTICES

Mr. COUGHLIN. In a recent report, the GAO concluded that DOT has missed opportunities to protect consumers from unfair or deceptive trade practices, and that you have not worked closely enough with other agencies in addressing consumer concerns. What are the problems here, and why aren't you doing more?

Ms. CHAO. We are, in fact, doing things in this area. Obviously, deceptive trade practice is intolerable. Last year the department issued a notice of proposed rulemaking to clarify the department's policy on deceptive airline advertisements. Comments on that notice are currently being reviewed. In addition, DOT is enforcing certain actions against deceptive airline practices. They include 10 cease and desist orders involving deceptive practices in the aviation industry since the GAO report was released.

Penalties in excess of $150,000 have been assessed. A significant number of deceptive practices investigations are going on within the Department.

DECEPTIVE TRADE PRACTICES

Mr. COUGHLIN. In one case, the GAO found that you did not follow up on a company's refund practices, even when 90 percent of your refund complaints referred to that company. Independently, the Federal Trade Commission obtained a court order halting the company's deceptive practices. It sounds as if another federal agency did your job for you. Is that so?

Ms. CHAO. I would hope not, but again I am not aware of this incident. I will be more than glad to look into it.

Mr. COUGHLIN. Will you respond for the record please?

[The information follows:]

The case in question involved a company called World Travel Vacation Brokers (WTVB) which was based in Chicago. Its activities were similar to practices known today as "Travel Scams." It skirted the rules of several federal government agencies, including the Federal Trade Commission (FTC), the Secret Service unit responsible for investigating telemarketing fraud, the Postal Service, and the Department of Transportation.

In widespread newspaper advertisements throughout the Midwest, the company represented the opportunity to obtain low cost vacation packages. The ads headlined a price of $29. Naturally, many people responded to this offer. Unfortuantely, they subsequently learned that the $29 fee was for certificates to be used toward the purchase of a vacation package.

DOT's Consumer Affairs Office first became aware of the issue when calls came in asking about the ads. After reviewing sample ads, the principals of the company were notified of certain deficiences in the language of the ad. The company made correction to disclose specifically what consumers would obtain for a $29 certificate.

Meanwhile, people who had paid money were learning that the company was not forthcoming with the promised vacation packages on dates acceptable to the customer. The Illinois State Attorney General was developing evidence of a fraud scheme and was considering legal action. DOT investigators worked with the state officials using case files transferred from the DOT Consumer Affairs Office. The FTC, with much of the evidence developed by the state authorities and with the assistance of DOT's investigators, successfully brought an action in Federal Court against the WTVB.

The suggestion that the Consumer Affairs Office did not follow up in this matter is without any basis, as more than 175 investigation man-hours were spent on this case. Cases referred by the Consumer Affairs Office to their Investigations Division were actively pursued and refunds were obtained for almost all of those consumers.

Additionally, the assertion that 90% of the refund complaints involved WTVB is mistaken. In 1986, over 1,900 complaints about refunds were registered by DOT; the 35 cases GAO makes reference to represents less than 2% of that total. It is also important to point out that DOT's investigation and enforcement units are very small and stationed in Washington, D.C., while the FTC has substantial numbers of staff dedicated to enforcement activities, including several regional offices.

Finally, in a more recent case, which is similar in many respects, DOT assisted the U.S. Attorney for the Middle District of Tennessee in obtaining a court stay to shut down a Tennessee-based operator. The company, called National Air Safety Advisory Service, was advertising in newspapers throughout the country promoting $33 certificates which could be used toward an Orlando or Bahamas vacation package. In this case, the FTC and Postal Service also were involved, but the DOT action shut down the operation. The U.S. attorney, along with DOT's enforcement office, is now negotiating with the principles to obtain full refunds for all purchasers of the certificates.

ESSENTIAL AIR SERVICE

Mr. COUGHLIN. What are your current views of, and plans for, the Essential Air Service (EAS) program, and what is your fiscal year 1991 budget request?

Ms. CHAO. When the EAS program was created in 1978 it was meant as a transitional tool to help the lower traffic generating communities transition into a fully deregulated air transportation system. We believe that it has been successful in doing so. For the majority of the communities in the EAS program, in concert with restructuring of the airline industry, it has produced a self sufficient air service with economically sized aircraft.

There is really no further need for subsidy. We also see at certain community points that the cost of this program outweighs the benefits as well. For fiscal year 1991, our requested level of $23.6 million assumes that we will need to remove subsidies for about eight communities.

Mr. COUGHLIN. Can you tell us which eight communities you are talking about?

Ms. CHAO. We have not decided yet. We are going to have to look at the calculations and evaluate the cost benefit analysis. We are not through with that. We will be happy to work with you on that.

Mr. COUGHLIN. You have a number but not the identification?

Ms. CHAO. I would say 8 to 12 communities would have to be dropped based on the average cost of $225,000 per point served.

ESSENTIAL AIR SERVICE STUDY

Mr. COUGHLIN. The fiscal year 1989 supplemental required you to conduct a study of mechanisms to measure the value of EAS services. That study was completed in October 1989. What were your major conclusions?

Ms. CHAO. Our report concluded that some of the program costs for some of the communities exceeded benefits and requirements and standards should be proposed. We also saw in communities that the degree of isolation from other air services should be the major eligibility criterion but a $200 per person subsidy cap should be imposed. The conference committee on the fiscal year 1990 appropriations bill based its funding level for EAS on our recommendations and directed us to take immediate regulatory action to reduce the program.

The implementation of the vast majority of our recommended program cuts on January 1 of this year resulted in a subsidy savings of approximately $5 million in fiscal year 1990. We are also currently reexamining the degree of modification that should be made to the existing eligibility criteria in the context of the President's budget request, as well as more recent data on traffic levels and subsidy rates which we should have by July of this year. Of course we will keep you apprised of our findings.

Mr. COUGHLIN. Does your analysis of EAS take into account more than just passenger service? The question in some cases of essential air service is whether it provides the only source of medical supplies to hospitals in very remote areas, emergency equipment and other emergency facilities?

Ms. CHAO. Where there is a real need obviously that will be factored into the calculations.

Ms. MOORE. It was not explicitly dealt with in our study last year. We do look, for example, at other modes of transportation that are available in the communities. Why don't we take a look and see if that is something we can include as we look at 1991?

Mr. COUGHLIN. In some places EAS is the only emergency service that they have.

Ms. CHAO. Obviously, where there is a dire need and where there is no other alternative mode of transportation, clearly that should be a factor. Some of the other communities I referred to are fairly close to major airports and have other modes of transportation available.

EAS STUDY

Mr. COUGHLIN. For the record, please provide a copy of that study, excluding table 2.

[The information follows:]

REPORT TO CONGRESS ON SUBSIDIZED AIR SERVICE UNDER THE ESSENTIAL AIR SERVICE PROGRAM-- WAYS TO REDUCE ANNUAL SUBSIDY EXPENDITURES

U.S. DEPARTMENT OF TRANSPORTATION
SEPTEMBER 1989

I. Executive Summary

In addition to providing $6.6 million in supplemental funding for the Department of Transportation's Essential Air Service program for FY 1989, Conference Report 101-89 pursuant to Public Law 101-45 required the Department to submit a study to Congress regarding the impact of a per-passenger subsidy cap and to identify alternative measures of the value of the air service being provided under that program (section 419 of the Federal Aviation Act of 1958, as amended by the Airline Deregulation Act of 1978 and P.L. 100-223).

There are currently 116 communities eligible to receive compensated service in the 48 contiguous states and Puerto Rico. The Department looked at these 116 points and examined a number of criteria for determining whether any points should be eliminated from the program. A primary consideration was to impose the least possible disruption on affected communities. As reflected in the attached tables and charts, our analysis is based on a snapshot in time regarding subsidy rates and traffic levels; the list of affected communities can change over time since subsidy rates, traffic levels, and hub classifications are constantly changing.

Based on our analysis of the current levels of traffic, service and subsidies and other information and data, we submit the following conclusions:

- program costs for some communities exceed benefits and, accordingly, additional eligibility standards should be imposed;

- the six points that Congress eliminated from the program effective October 1, 1989, should not be reinstated based on the necessity of air freight delivery or a lack of other common carriers such as truck, bus or rail.

- among the eligibility criteria the Department considered, it appears that isolation is the most meaningful, but that a subsidy-per-passenger cap lower than the $300 standard in P.L. 101-45 would also be appropriate;

- these eligibility criteria should be applicable both for currently subsidized communities and for any communities that currently receive subsidy-free service but become subsidy-dependent in the future;

- the universe of points subject to these eligibility standards should be limited to the 48 contiguous states and Puerto Rico;

- 30 subsidized communities, costing about $7.2 million annually, would be eliminated from the program based primarily on the isolation standard and secondly on a $200 subsidy-per-passenger cap (savings generated from different subsidy cap levels may be determined from the information in Table 2);

- because of the Congressional mandate in section 419 to provide EAS for all eligible communities, it would be helpful if clear legislated direction on service cuts accompany any reductions in subsidy appropriations; and

- no service upgrades contemplated in P.L. 100-223 should be implemented while other points are being eliminated from the program.

II. Background

A. What is EAS?

Essential Air Service (EAS) is a DOT-administered program for guaranteeing and, where necessary, subsidizing air service to generally smaller communities that might not otherwise receive scheduled air service. The Department, under this program, makes payments to air carriers to provide EAS to communities determined by the Department, using criteria mandated by statute, to be eligible for service guarantees. Generally, unless they are subsidized, carriers would not provide scheduled air service to certain EAS communities because these communities do not generate sufficient numbers of passengers at fares that cover carrier costs. The Department authorizes subsidy for an airline to provide EAS only when no carrier is willing or able to provide the required level of service without subsidy support.

B. Background of the EAS Program

In 1978, when the Airline Deregulation Act (ADA) took effect, 746 communities in the United States and its territories were listed on air carrier certificates issued under Section 401, Federal Aviation Act. Prior to deregulation, these communities were entitled by law to "adequate air service", but that term was not defined -- in practice it meant virtually any service a community's certificated airline chose to give it. In light of the ADA's provisions allowing air carriers to terminate service without prior Government approval, there was concern that communities that generated low traffic levels would lose all service as carriers withdrew to larger, more lucrative markets. To address this concern, as part of the ADA the Congress added section 419 to the Federal Aviation Act, which ensured that these communities would continue to receive a link to the nation's air transport system for ten years, with Federal subsidy if needed.

Under this program, DOT determines the minimum level of EAS that each community requires, specifying frequency of service, total capacity, number of intermediate stops allowed, and hub destination. DOT will provide subsidy to an air carrier, if necessary, to assure that this minimum level of service is provided. Of the approximately 550 communities for which EAS determinations have been issued, only about 150 communities (including Alaska and Rota) received service in FY 1989 that is supported by EAS subsidy. The other 400 communities receive subsidy-free service which meets or exceeds their EAS levels. No determinations are required for the approximately 200 cities that are guaranteed service by the ADA, but which have continuously received service by two or more carriers since the pre-ADA period and obviously were not contemplated to come within the aegis of EAS protections -- points such as Atlanta, Detroit, and other major aviation centers.

C. Extension of the EAS Program in Public Law 100-223

The ten-year service period was scheduled to terminate on October 24, 1988. However, Congressional interest in ensuring continued service to these communities remained strong, and prior to the expiration date, legislation was enacted expanding the EAS program and extending it for ten additional years. See section 202 of the Airport and Airway Safety and Capacity Expansion Act of 1987 (December 30, 1987; Public Law 100-223).

In the 1987 legislation, Congress provided for a continuation of EAS guarantees, termed "Basic EAS". Under Basic EAS, any point was to be provided ten more years of basic service if it was (1) eligible for service under the earlier program, (2) actually receiving service during any part of Fiscal Year 1988, and (3) situated at least 45 miles from the nearest "hub" airport -- which the Act defines as an airport enplaning annually at least 0.25% of all enplanements in the United States. Certain other service upgrades were also mandated, such as general employment of aircraft having at least 15 passenger seats, and use of pressurized aircraft if the flight normally flies higher than 8,000 feet above sea level. Further, there was to be no more than one intermediate stop (EAS guidelines had permitted up to two intermediate stops under the previous EAS law) between the EAS point and the designated hub airport (or small hub or nonhub, as appropriate).

The 1987 legislation also established two forms of service enhancement, by which communities could receive more service than Basic EAS by agreeing to a subsidy-sharing commitment or by risking loss of basic service if DOT-funded enhanced service failed to meet agreed levels of passenger usage. The new legislation also provided that any community not entitled to Basic EAS might agree with DOT on a reasonable service level and receive service as a "new point" on a subsidy-sharing basis. Subsequent appropriation levels, however, have not provided for the implementation of the provisions for either the enhanced service levels or new points or even to implement the service upgrades required under Basic EAS, e.g. 15-seat aircraft, etc.

D. Fiscal Year 1989/1990 Funding

By P.L. 101-45, the Congress passed a supplemental $6.6 million appropriation for the balance of FY 1989 with the proviso that the Department not pay subsidy beyond September 30, 1989, at communities where the subsidy per passenger exceeds $300 based on current subsidy rates and on the number of passengers transported to and from the EAS point during the most recent fiscal year, FY 1988. We have identified six such points and have alerted the affected communities and air carriers that, since no subsidy could be paid for these points after September 30, 1989, the carriers could suspend all service at that time. The six points are: Beloit/Janesville, Wisconsin; Independence/Parsons/Coffeyville, Kansas; Hutchinson, Kansas; Lewiston/Auburn, Maine; Moultrie/Thomasville, Georgia; and Kokomo/Logansport/Peru, Indiana. The subsidy rates we would have expected to pay in FY 1990 to support EAS at these six points total $1.7 million per year. (The sum of the rates in effect at the six affected points is $1.8 million. However, we have estimated only a $1.7 million savings because one of the points, Independence, Kansas, is served as a drop down on a linear routing and therefore the full subsidy allocated to Independence may not be saved). Since these points will be cut out of the program effective October 1, 1989, the full $1.7 million savings would be realized during FY 1990. Based on these changes alone, the estimate for FY 1990 Basic EAS would be reduced from $33.0 million to $31.3 million. The total FY 1990 requirement, assuming no further service reductions, is estimated at $34.5 million which includes $3.2 million for past period rate adjustments and hold-ins, and hold-ins expected in FY 1990. See Table 1.

In the context of the $6.6 million supplemental appropriation and Congress' imposition of a $300 subsidy-per-passenger cap, the Department was directed to study the impact of that cap and make specific recommendations on what, if any, standards other than a subsidy-per-passenger cap should be used to evaluate the value of service. Specifically, Congress directed "the Secretary of Transportation to submit within 60 days of enactment of this Act a report to the House and Senate Committees on Appropriations on the impact of a per-passenger subsidy cap. The Secretary shall report on those instances where a per-passenger subsidy cap is not the best measure for evaluating the value of the service provided because of other considerations such as the necessity of air freight delivery or the lack of other common carriers such as truck, bus and rail. If a per-passenger cap is determined not to be the best evaluative measure, the report should identify alternative measures that the Secretary deems to be more appropriate, and how the affected subsidized points perform against those measures. The conferees expect to consider the Secretary's findings in determining the appropriate funding level for fiscal year 1990."

III. Recommendation

Before addressing the details of what mechanisms the Department identifies to measure the value of service under the EAS program, it is appropriate to discuss briefly why any such mechanisms are necessary. Since the inception of the EAS program in 1978, there has been a universe of approximately 750 communities that are guaranteed scheduled air service, and about 150 are currently being subsidized (including Alaska and Rota, Northern Marianas). The Department of Transportation, and the Civil Aeronautics Board before it, had no discretion prior to FY 1989 to eliminate a point from the program unilaterally, regardless of how few passengers use the service, how close a community is to alternate air service, or how much subsidy is required to support the statutorily-mandated minimum service levels. The Department and Congress are in agreement that subsidies for some communities' air service greatly exceed service usage or need and should be discontinued. However, the Department should be given adequate authority and, ideally, legislative guidance on how to implement service cuts -- for example, specific isolation standards, subsidy-per-passenger ceilings, or other eligibility criteria -- before any subsidy savings can be realized. The mechanisms recommended in this report would provide a basis for such authority and guidance.

A. Relevance of Freight Needs and Surface Transportation

We have examined whether the need for freight delivery or the lack of truck, bus or rail service should affect the manner in which we would apply the recommended eligibility standards, i.e., whether the lack of such service should keep a point in the program that would otherwise be eliminated, either by a subsidy-per-passenger cap or by any other standard.

Throughout the program, civic officials have been invited to comment on any specific freight-movement requirements that may not be met by existing or proposed EAS or surface transportation. Consistently the Department has found that, with the exception of Alaska and the Pacific points, a relatively constant relationship exists between passenger demand and freight-lift demand (Alaska and Pacific points have far different cargo-lift demands because of their isolation and lack of highway system access.) Therefore, air service needs for the 48 contiguous states can be reasonably defined on the basis of passenger data. We have held that unique cases based on outsized cargo demand at some points are not within the normal purview of the EAS program.

Most EAS communities in the 48 states have bus and/or rail service (see Table 2). However, there is little if any empirical evidence on the degree to which bus or rail service may be an acceptable proxy for commuter air service in EAS markets, especially for non-discretionary travel. State and community officials have consistently reflected the view that the existence of commercial air service is essential both to the discrete travel needs of communities and to their ability to attract industry as an integral aspect of their economic welfare. Spokespersons have also maintained that bus and rail services are not adequate replacements for air service because they provide neither direct nor timely access to hub airports.

We have had benefit of several cases in which limousine service was offered directly to an EAS community's hub airport: and in each case the limousine service was an effective alternative to the local air service. The Congress may want to consider allowing program latitude to factor such service into future EAS considerations. If so, it should address what, if any, actions should be taken in the event the alternative surface transportation were discontinued.

However, in direct response to the Conference Report's explicit issue, we do not conclude that the lack of "other common carriers such as truck, bus and rail" should counteract the imposition of either the $300 subsidy-per-passenger cap imposed by P.L. 101-45 or the eligibility criteria recommended in this report.

B. Subsidy-Per-Passenger Cap

We are in general agreement with Congress that a subsidy-per-passenger cap may be an appropriate tool to eliminate the most excessive subsidy expenditures in the program, but it might not be appropriate for use as a primary measure to cut out points since it does not reflect other significant factors such as the need for air transportation in remote areas. Rather, as discussed in the next section, we believe the variable isolation standard is the single best measure of communities' air service needs. While a cap set at a high level, such as $300 per passenger, may partially accomplish this purpose, we find that an appropriate balancing of costs and need for service in remote areas suggests a slightly lower cap and recommend establishing a $200-per-passenger subsidy cap for future fiscal years. In addition, the subsidy per passenger should be recomputed each year for each point to determine its continued eligibility for subsidy. In order to permit timely determinations of eligibility, however, we would recommend that for future years the subsidy-per-passenger calculation be based on calendar year traffic and subsidy rates in effect as of July 1 of the following year. This will permit decisions to be made using more current data than those contemplated in the language of the supplemental appropriation and will allow sufficient time for the traffic data to be submitted to the Department and tabulated, and for any problems with the data to be resolved. (In addition, as will be discussed later in more detail, new FAA/DOT listings of large, medium and small hub airport classifications are issued once a year based on calendar year traffic and are generally available about July 1.) This timetable will allow the Department to contact any community whose subsidy exceeds $200/passenger and notify the affected carrier that its service will no longer be subsidized after September 30, thereby eliminating it from the program for the entire upcoming fiscal year. For example, the next subsidy-per-passenger calculation would be based on traffic for calendar year 1989 and subsidy rates in effect on July 1, 1990. The Department would then be in a position to notify the community and carrier by August 1, 1990, that its subsidy would be terminated on September 30, 1990.

As far as our methodology is concerned, it is essential that we be consistent in calculating the subsidy-per-passenger cap. However, in tabulating the traffic data for FY 1988, it was sometimes necessary to make certain adjustments to the data, and such adjustments would continue to be made in the future in order to make the data more representative. (These adjustments are detailed in the footnotes to Table II attached.)

The subsidy amounts we have used in this report in determining the subsidy per passenger are the current annual subsidy rates in effect. In some cases, several communities may be grouped together in one combined annual subsidy rate. If, for example, the total subsidy rate for three EAS points A,B and C operated over an A-B-C-hub linear routing is $600,000, it was assumed that $200,000 in subsidy is allocable to each community.

As a final matter regarding the methodology for establishing subsidy-per-passenger figures, there are a few communities at which the Department subsidizes service to two hubs. At these communities, if the total subsidy (to both hubs) divided by the total passengers (to both hubs) is less than $200 for example, then the community would continue to receive subsidized service to both hubs. This approach is consistent with Congress' $300-per-passenger cap in that Congress refered to subsidy per passenger at the point, not on a market-by-market basis. If, on the other hand, the total subsidy per passenger exceeded $200, consideration would be given to maintaining service to only one of the hubs for a subsidy of less than $200/passenger. In that event, the community would stay in the program with service to only one hub.

In summary, the Department agrees with Congress that a subsidy-per-passenger cap is appropriate to eliminate the least cost-effective points in the program. A subsidy-per-passenger standard may not, however, be the most appropriate mechanism for excluding points from the program for several reasons. First, a subsidy-per-passenger cap does not measure a community's need for air service in terms of isolation. Second, there are administrative and philosophical problems with broad use of subsidy-per-passenger standards. For example, a fairness case could be made that for rates that cover a number of communities, whether served separately or served together on linear routings, costs and revenues should be separated for each community by some more sophisticated method of allocation than is presently possible. Furthermore, some communities on a subsidized route might meet the criteria while others may not, causing a breakup of a linear route and elimination of some points which on an incremental basis may not cost substantial subsidy.

In this regard, one possible unintended result could be a domino-type effect whereby the elimination of one point on a linear route could raise the average subsidy per point and lead to the elimination of other points on the route. As an example, assume that an airline provided subsidized EAS at small communities A, B and C over an A-B-C-hub routing for $600,000 annually. Assume further that communities A and B generate 1,100 passengers each and community C generates 800. Consistent with the Department's methodology, a $200,000 subsidy would be attributed to each point. Therefore community C would be eliminated ($250 per passenger) and communities A and B would stay ($182 per passenger). However, upon renegotiation with the carrier for a new subsidy rate excluding community C from the program, it might be that a pro rata subsidy savings could not be realized. The two-city linear route might well require $500,000 subsidy per year, $250,000 per community, and communities A and B would be eliminated unless their traffic increased to more than 1,250 passengers.

Another reason for not relying solely on a per-passenger subsidy cap is that occasionally there are problems with timely data collection. In addition, sometimes there are extenuating circumstances resulting in a temporary hiatus in service or other factors requiring that subjective adjustments be made to the data. The variable isolation standard, on the other hand, is a more objective criterion.

Finally, in the Department's process of carefully scrutinizing fares and economic forecasts in carrier rate proposals to serve communities, we would have to give special attention to ensuring that they are not manipulated in order to meet specific subsidy-per-passenger standards.

Notwithstanding its possible shortcomings, we believe that a $200 subsidy-per-passenger cap weeds out the least cost-effective services. In addition, the $200 cap will serve notice to both carriers and communities on the margin that they are in effect on a "use-it-or-lose-it" course, since the community risks being eliminated in the next annual review if sufficient traffic does not materialize.

We also do not believe that satisfying a subsidy-per-passenger standard should imply guaranteed _inclusion_ in the program, _i.e._, that points with subsidy per passenger of $25 or less, for example, should be included in the program regardless of other factors. A subsidy-per-passenger standard should be used with a distance standard. As we mention below, a subsidy-per-passenger cap does not take proper account of isolation, such that under a $25-per-passenger standard, for example, Winston-Salem, North Carolina, would remain eligible to receive subsidy even though it is only 15 miles from Greensboro, a small hub with _60_ jet departures per day. In addition, this standard could have a perverse effect of keeping points on subsidy rates, albeit low ones, that are close to being served subsidy-free in order to maintain their eligibility in the program.

C. _Variable Isolation Standard_

The Department recommends that communities' proximity to alternate air service centers and the amount of service available at the alternate air service centers be the primary standard for determining an EAS point's eligibility in the program. Specifically, we recommend EAS points less than 75 miles from a medium or large hub, or less than 55 miles from a small hub, or less than 45 miles from a qualifying nonhub be eliminated from the program. The underlying rationale for this methodology -- *i.e.*, that justification for subsidized air service should be a function of isolation from other air service -- is consistent with language in P.L. 100-223 that focuses on passengers' abilities to have access to the national air transportation system.

There are two primary factors that determine the reasonableness of ground access from an EAS community to an alternate airport -- the surface transportation distance between the EAS point and the alternate air service and the volume and variety of air service at the alternative airport(s). We believe that it is reasonable to assume that passengers will travel at least 75 highway miles to a medium or large hub to enter the air transportation system. We also believe that passengers equidistant from a large hub (Atlanta, for example) and a small hub (Birmingham, for example) would normally drive to the larger hub since it offers more service and fare options. Similarly, using the same example, a person would more likely drive to Birmingham to originate his or her flight rather than to a community with only two or three flights a day, assuming trips of equal distance. (Driving time to the alternate air service may be a better measure than miles, but too many variables exist such as traffic congestion, weather conditions, personal driving habits, etc., to permit an accurate, objective assessment of driving times.)

In order to take the volume of service at the alternate airport into account, the Department has assumed that a person would travel an extra 10 miles to a small hub airport compared to a qualifying nonhub airport and an extra 20 miles to a medium or large hub airport compared to a small hub airport. (A large hub airport is one that annually enplanes 1.0% or more of the total annual enplanements reported by certificated air carriers in the United States. A medium hub airport enplanes between 0.25% and 0.999% of the total enplanements; a small hub airport enplanes between 0.05% and 0.249%; and a nonhub enplanes less than 0.05% of total annual certificated enplanements. These data are updated annually by FAA/DOT based on calendar year statistics and are compiled and published as the Airport Activity Statistics each fall.)

This methodology is very similar to Alternative #1 in the Department's Notice of Proposed Rulemaking published December 14, 1988 (F.R. Vol. 53, No. 24, pgs. 50233-50243). A refinement from the NPRM that is proposed here is to differentiate among nonhubs. As we indicated above, a nonhub might have only two or three flights a day or, as in the case of Green Bay, for example, more than 30 flights per day to several destinations. While people may be willing to drive 40 miles to Green Bay to enter the air transportation system, they would be far less likely to drive 40 miles to a community with only a few commuter flights a day to one destination.

We have therefore determined that a threshold level of service is required at an alternate nonhub airport before it can be considered a usable alternative. (The minimum traffic level necessary for an airport to qualify as a small hub is about 600 enplanements per day, and thus there is a presumption that sufficient service exists for a small hub to be considered a viable alternative for the EAS community). We recommend that nonhubs must enplane an average of 100 passengers per day or 36,500 per year to be considered a usable alternate for the EAS point. With the 15- to 19-seat commuter aircraft that typically serve EAS points and other small nonhubs, a minimum of eight or nine departures per day would be operated to accommodate 100 passengers. Also, 100 daily enplanements are enough to support service with jet aircraft and if larger than 15- to 19-seat aircraft are used at the nonhub, its attractiveness as an alternate to the EAS point may be enhanced. In determining whether a nonhub airport meets the 100 enplanement-per-day threshold, we would include enplanements generated by both certificated and commuter air carriers. (Certificated enplanement data are available in the Airport Activity Statistics report on a calendar year basis, and the commuter data are submitted quarterly by carriers on Department of Transportation Form 298-C reports).

Finally, we recommend using a variable isolation standard as the primary tool because it takes into account a measure of access to the national transportation system, can be fairly administered, and is easily understood. Moreover, it would not portend the perverse, domino effect on communities that other standards could lead to (see discussion, page 15). As we indicated earlier, we recommend that EAS points less than 75 miles from a medium or large hub, or less than 55 miles from a small hub, or less than 45 miles from a qualifying nonhub be eliminated from the program.

D. Other Alternative Measures

In addition to the isolation and subsidy-per-passenger standards discussed above, the Department has considered three other measures by which additional points could be eliminated from the program -- eliminating subsidy for service to second hubs; eliminating subsidy for communities with the highest annual subsidy requirements; and eliminating subsidy for communities generating the fewest passengers. These alternatives are discussed in detail in the Department's NPRM published December 14, 1988 (F.R. Vol. 53, No. 24 pgs. 50233-50243) and we will therefore discuss them only briefly here.

Eliminating subsidy for service to second hubs could be imposed without regard to other standards. In fact, the Department has as a policy matter eliminated two-hub service guarantees for a number of communities and continues to review all two-hub definitions routinely. In those cases where the

Department has retained individual points' two-hub guarantees it did so in recognition of especially strong business, political, or other ties the points have traditionally had with the second hub.

Neither of the other two alternatives -- eliminating points with the highest annual subsidy or those with the fewest passengers -- measures whether the affected communities have reasonable access to the national air transportation system. Our program experience has been that annual subsidy requirements vary more with distance than with any other single variable, *i.e.*, generally the greater the distance from an EAS point to its hub the more subsidy is required, although traffic levels and how the points fit into the carrier's system are also important factors. Further, some of the smallest communities in the program are also the most isolated from hubs. Therefore, using either an annual subsidy rate standard or a passenger standard would tend to eliminate isolated communities that do not generate sufficient traffic to attract subsidy-free service.

E. Conclusion

Based on all of the above, the Department has determined that a per-passenger subsidy cap, by itself, is not the best measure of the value of service under the EAS program. A subsidy-per-passenger cap should be employed in conjunction with an isolation standard. For example, Congress could require that any subsidized EAS point that falls under any of the following four criteria be eliminated from the program: (1) points whose subsidy per passenger exceeds $200; (2) points less than 75 highway miles from a medium or large hub airport; (3) points less than 55 highway miles from a small hub airport; or (4) points less than 45 highway miles from a nonhub airport generating at least 100 enplanements per day. (These actions would save $5.5 million on an annual basis. The Administration will assess the budgetary impact of alternative service levels as it prepares the President's FY 1991 Budget.)

If Congress determines to legislate different service cuts, data contained in the Tables appended to this report will provide the informational basis to do so.

Finally, as we discussed earlier, the availability and quality of surface transportation could be factored into EAS eligibility criteria.

IV. Effect of the Proposed Criteria on Communities

Our analysis is that, if the proposed criteria were fully implemented, 24 currently-subsidized communities would be eliminated from the program with an annual subsidy saving of about $5.5 million. These service and subsidy cuts would be over and above those for the six points that Congress has already eliminated effective October 1, 1989, which will save $1.7 million a year. Table 2 shows a list of 116 communities, including all points that are currently receiving subsidized service, points where carriers are eligible to receive subsidy even if a subsidy rate has not yet been established, and points at which there is a temporary hiatus of service. In addition, Table 2 gives a profile of each community including its subsidized hub(s) and distance, its recent traffic and current subsidy level, nonsubsidized service if any, highway miles to alternate air service, and whether bus or rail service exists. Table 3 lists the 24 communities that would be cut from the program based on the 75/55/45-mile variable isolation standard and the $200-per-passenger cap, in addition to the six points that Congress has already eliminated. All 24 of the communities receive bus service and 9 receive rail service. Twelve of the 22 communities that received service in FY 1988 averaged fewer than five enplanements per day. (Brownsville, Texas, and Battle Creek, Michigan, are among the 24 points to be cut, but they did not receive service in FY 1988.) At four communities we would expect that the carriers would continue to provide service even after their subsidy is eliminated. New Bedford, Massachusetts, already receives subsidy-free service to Nantucket and Martha's Vineyard, its major markets. Rocky Mount and Winston-Salem, North Carolina, each averages more than 50 enplanements per day, and the carrier would likely continue service without subsidy support. (In fact, at Winston-Salem the carrier has agreed that no subsidy is required after October 1989.) Watertown, New York, generates 25 enplaned passengers per day and receives two-hub service, and it is very possible that its air carrier would continue service to at least one hub. In addition, all 24 communities are within reasonable ground transportation time of usable alternate air service and/or generate very little traffic. At the five communities that would fall out based on the $200-per-passenger cap without regard to isolation, average daily enplanements are as follows:

Columbus, Nebraska	-- 1.4
Sidney, Nebraska	-- 1.6
Winslow, Arizona	-- 1.8
Blythe, California	-- 2.7
McAlester, Oklahoma	-- 1.6

In summary, none of the 24 communities would suffer undue hardship by being cut out of the program.

V. Fiscal Year 1990

The six points that Congress has already eliminated from the program will save $1.7 million annually resulting in a budget need of $31.3 million. Elimination of the 24 points under the criteria we have offered by example would save approximately $5.5 million annually based on current subsidy rates, decreasing the subsidy need to $25.8 million.

An additional element to be considered in the FY 1990 appropriation regards the manner in which obligations are recorded under the program. Language was included in section 333 of the FY 1989 DOT appropriations act limiting FY 1989 payments to the amount appropriated for EAS, and indicating that "claim for such compensation shall not arise except in accordance with this provision." Under prior practice, EAS obligations were not recorded until the payment to the carrier was actually made. The Department is persuaded that this past method may underreport the financial obligations actually being incurred and that changes to the accounting structure supporting the EAS program are required. For example, some subsidized air service for which obligations were heretofore recorded at the time disbursements were made to air carriers should, based on this change, now be recorded at the time service is initially required by a Department Service Order. In order to permit this transition to be made, a "spike" of funding is required.

Therefore, assuming Congress wishes to retain the classification of this program as non-entitlement, an increase of

$3.2 million is required over the current FY 1990 estimate of $31.3 million. This will permit the Department to close FY 1990 on a current basis by fully obligating funds for FY 1990 service provided under orders issued both during and prior to FY 1990. This amount should be included in the FY 1990 appropriation regardless of whether or when other service criteria changes are adopted. Thus, absent any additional program cuts, the appropriation requirement for FY 1990 would be $34.5 million. If the service elimination criteria we raise by way of example in this report were to be implemented on October 1, 1989, the FY 1990 budget should thus reflect an additional $5.5 million reduction and be set at $29.0 million.

Should Congress opt not to include the "subject to appropriations" limiting language in the FY 1990 appropriations bill, an expression of intent should be made as to whether the Congress intends the Department to be able to incur obligations and contingent liabilities in excess of the amount of appropriations. This would eliminate doubt as to whether the $3.2 million required funding increase was intended to be achieved through additional service cuts or provided separately.

The Department has analyzed the effects of the service reduction criteria employed in the example, but we of course recognize that Congress may choose to appropriate more or less than the $29.0 million figure obtained under use of those criteria. The information set out in the tables may be used to ascertain the funding effects of various other criteria. The Department recommends that Congress specify the service reduction criteria which would accompany any reduced appropriation under a $34.5 million figure. If Congress merely specifies a lower amount and authorized the Department to implement commensurate service reduction criteria, rulemaking would be involved; that would necessitate additional delays and ultimately require deeper service cuts to be made.

VI. Amendment of Law

As a final matter, in order to implement service reductions in the most efficient and effective manner, we recommend that the Congress amend the definition of eligible point under section 419(a) of P.L. 100-223. For example, section 419(a)(2) could be amended to read as follows:

(2) for any essential air service point within the 48 contiguous states or Puerto Rico which the Secretary determines is (a) 75 highway miles or more from the nearest medium or large hub airport, (b) 55 highway miles or more from the nearest small hub airport, or (c) 45 highway miles or more from the nearest nonhub airport that has enplaned 100 or more passengers per day based on the most recently available data, provided that, notwithstanding any other provision of law, and subject to the availability of appropriations, after September 30, 1989, no subsidy shall be paid for any service to or from any such essential air service point for which the per-passenger subsidy exceeds $200 based on subsidy rates in effect as of July 1 and traffic for the prior calendar year. All communities receiving subsidized air service will be reviewed after each July 1 to determine their continued eligibility for subsidy during the next fiscal year."

Table 1

CURRENT ESTIMATES OF SUBSIDY NEED FOR THE ESSENTIAL AIR SERVICE PROGRAM FOR FY 1990 ASSUMING ONLY SIX POINTS ARE ELIMINATED FROM THE PROGRAM

($ millions)

FY 1989 Subsidy Expenditures	$ 31.6
Estimated Inflationary Increase over FY 1989	+ 1.2
Estimated increase over FY 1989 due to additional points not subsidized throughout FY 1989	+ 1.0
Decrease from FY 1989 due to points coming off subsidy	- .5
Change in hold-in subsidy from FY 1989 levels	- .3
Decrease from FY 1989 due to the elimination of six points	- 1.7
Total estimated FY 1990 subsidy for current levels of service	$ 31.3
Plus a one-time "spike" to cover previously unobligated EAS subsidies	+ 3.2
	$ 34.5 1/
Annual cost of higher service levels under new basic EAS requirements:	
Larger minimum aircraft size	$ 2.8
Pressurized aircraft	1.7
Reduction of intermediate stops	2.6
Load factor-related service increases	0.9
Changes in hubs	1.5
Increased hold-in compensation/ emphasis on code-sharing arrangements	2.5
Total	$ 12.0

1/ Alaska and Rota account for $3.4 million.

Table 3

LIST OF POINTS LESS THAN 75 MILES FROM A MEDIUM OR LARGE HUB, 55 MILES FROM A SMALL HUB, OR 45 MILES FROM A QUALIFYING NONHUB 1/ AND THOSE EXCEEDING $200 SUBSIDY PER PASSENGER

Community	State	Alternate Service	Mileage & Hub Classification	Subsidy Per Passenge
Group I--those points already eliminated by Congress				
1. Beloit/Janesville	WI	Madison	47 S	$ 633
2. Independence/Parsons	KS	Tulsa	87 M	584
3. Lewiston/Auburn	ME	Portland	39 S	331
4. Moultre/ Thomasville	GA	Valdosta/ Tallahasse	45 N/ 56 S	337
5. Hutchinson	KS	Wichita	53 S	450
6. Kokomo/Logansport/ Peru	IN	Indianapolis	77 M	320
Group II -- those points not meeting the variable isolation standards				
7. Clarksville/ Ft. Campbell	TN	Nashville	66 M	$ 239
8. Jackson	MI	Lansing/Detroit	42 N/81 L	206
9. Jonesboro	AR	Memphis	71 M	176
10. Montpelier	VT	Burlington	40 S	173
11. Temple	TX	Killeen/Austin	16 N/67 M	39
12. Salem	OR	Portland	62 M	35
13. Elkhart	IN	South Bend	19 S	32
14. Danville	VA	Greensboro	53 S	13
15. Santa Fe	NM	Albuquerque	59 M	12
16. Watertown	NY	Syracuse	70 M	10
17. New Bedford	MA	Providence	41 S	2/
18. Winston Salem	NC	Greensboro	15 S	2/
19. Brownsville	TX	Harlingen	26 S	3/
20. Clinton	IA	Moline	45 S	283
21. Battle Creek	MI	Kalamazoo/Grand Rapids	20 N/59S	12 4/
22. Benton Harbor	MI	South Bend	35 S	40
23. Rocky Mount	NC	Raleigh/Durham	62 M	6
24. Mansfield	OH	Columbus	68 M	144
25. Manitowoc	WI	Green Bay/ Milwaukee	39 N/89 M	246

1/ Qualifying nonhubs are those that average 100 enplanements a day or more.

2/ No subsidy rate currently in effect.

3/ No service during FY 1988.

4/ No service during FY 1988; figure based on carrier projection.

Table 3

LIST OF POINTS LESS THAN 75 MILES FROM A MEDIUM OR LARGE HUB, 55 MILES FROM A SMALL HUB, OR 45 MILES FROM A QUALIFYING NONHUB 1/ AND THOSE EXCEEDING $200 SUBSIDY PER PASSENGER

	Community	State	Alternate Service	Mileage & Hub Classification	Subsidy Per Passenge
Group III--those points not meeting the $200 subsidy per passenger standard					
26.	Columbus	NE	Lincoln	77 S	$ 253
27.	Sidney	NE	Scottsbluff/ Denver	80 N/166 L	216
28.	Winslow	AZ	Flagstaff/ Phoenix	61 N/175 L	213
29.	Blythe	CA	Yuma/Palm Springs	92 N/118 S	211
30.	McAlester	OK	Tulsa	102 M	229

Legend: N = nonhub
S = small hub
M = medium hub
L = large hub

1/ Qualifying hubs are those that average 100 enplanements a day or more.

Table 4

DETAILED DAILY BUS AND RAIL SERVICE AT THE 24 POINTS THE DEPARTMENT RECOMMENDS ELIMINATING FROM THE PROGRAM

	EAS Point	Service To	Bus	Rail
AZ	Winslow	Flagstaff	Yes (1½rt)	Yes (1rt)
		Phoenix	Yes (3½rt)	No
AR	Jonesboro	Memphis	Yes (2RT)	No
CA	Blythe	Phoenix	Yes (10rt)	No
IN	Elkhart	South Bend	Yes (17rt)	Yes (2rt)
		Chicago	Yes (8rt + limo)	Yes (2rt)
IA	Clinton	Chicago	Yes (1RT)	No
		Cedar Rapids	Yes (1RT)	No
MA	New Bedford/ Fall River	Providence	Yes (7rt)	No
		Boston	Yes (10rt)	No
MI	Battle Creek	Kalamazoo	Yes (3rt)	Yes (4rt)
		Grand Rapids	Yes (2 rt)	No
	Benton Harbor/ St. Joseph	South Bend	Yes (1 rt)	No
		Detroit	Yes (4 rt)	No
	Jackson	Lansing	Yes (3 rt)	No
		Detroit	Yes (9½ rt)	Yes (2 rt)
NE	Columbus	Omaha	Yes (1 rt)	No
		Lincoln	No	No

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Table 4

DETAILED DAILY BUS AND RAIL SERVICE AT THE 24 POINTS THE DEPARTMENT RECOMMENDS ELIMINATING FROM THE PROGRAM

	EAS Point	Service To	Bus	Rail
NE	Sidney	Omaha	Yes (1 t)	No
		Denver	Yes (1 rt)	No
NM	Santa Fe	Albuquerque	Yes (8 rt)	No
NY	Watertown	Ogdensburg	Yes (1 rt)	No
		Syracuse	Yes (3 rt)	No
NC	Rocky Mount/Wilson			
		Greenville	Yes (3½ rt)	No
		Raleigh/Durham	Yes (3½ rt)	Yes (1 rt)
	Winston-Salem	Greensboro	Yes (20 rt)	No
		Charlotte	Yes (13 rt)	No
OH	Mansfield	Akron	Yes (3RT)	No
		Columbus	Yes (3RT)	No
OK	McAlester	Tulsa	Yes (5 rt)	No
OR	Salem	Portland	Yes (10 rt)	Yes (1 rt)
TN	Clarksville	Nashville	Yes (5 1/2 rt)	No
TX	Brownsville	Abilene	Yes (4 rt)	No
		Dallas	Yes (2 rt)	No
	Temple	Killeen	Yes (1 rt)	No
		Austin	Yes (14 rt)	Yes (1 rt)
VA	Danville	Greensboro	Yes (8 rt)	Yes (1 rt)
		Raleigh/Durham	No	No
VT	Montpelier	Burlington	Yes (12RT)	Yes (1RT)
		Boston	Yes (3RT)	No
WI	Manitowoc	Green Bay	Yes (3 rt)	No
		Milwaukee	Yes (3 rt)	No

Table 5

EXAMPLE OF ESTIMATED SUBSIDY NEED FOR THE ESSENTIAL AIR SERVICE PROGRAM FOR FY 1990

($ millions)

FY 1989 Subsidy Expenditures	$31.6
Decrease from FY 1989 due to the elimination of six points	- 1.7
Decrease from FY 1989 due to the elimination of 24 additional points from the program 1/	- 5.5
Subtotal	24.4
Estimated inflationary increase over FY 1989	+ 1.1
Estimated increase over FY 1989 due to additional points not subsidized throughout FY 1989	+ 0.9
Decrease from FY 1989 due to points coming off subsidy	- 0.3
Change in hold-in subsidy from FY 1989 levels	- 0.3
Subtotal	$ 25.8
Plus a one-time "spike" to cover previously unobligated EAS subsidies	3.2
Total	$ 29.0 2/

1/ We have presumed that the service cuts would be made effective October 1, 1989. Service cuts made later in the fiscal year would increase the subsidy need to the extent of about $450,000 per month.

2/ Alaska and Rota account for $3.4 million.

EAS COST-EFFECTIVE ROUTES

Mr. COUGHLIN. Your position is that you want to phase out the least cost-effective EAS subsidies. Would you provide a listing of the 25 most cost-effective EAS routes and the 25 least-effective routes, and include an explanation of how cost-effectiveness is defined?

[The information follows:]

The Department has suggested in its *Report to Congress on Subsidized Air Service under the Essential Air Service Program—Ways to Reduce Annual Subsidy Expenditures,* September 1989, and in its final rule dated December 19, 1990, setting forth new subsidy-reduction criteria that proximity of air service at an alternative airport, the volume of air service available at the alternative airport, and the compensation per passenger required to support air service at the EAS points represent reasonable criteria for effecting subsidy reductions. These criteria may be utilized to develop a list of comparative cost effectiveness. This list is compiled from data current as of May 16, 1990.

As a first cut, points at which subsidized air service exeeds $200 per passenger, based on existing rules, probably would be considered the least cost effective. Beyond that, if a judgement were made that a list of least cost-effective rates of compensation should be limited to communities at which the compensation per passenger exceeds $75, a list of points receiving subsidized service and presented in ascending order of adjusted miles (based on size of the alternative airport) would, based upon current information, appear as follows (least cost effective listed first):

Points at which subsidy exceeds $200 per passenger: Lewistown, Montana; Jonesboro, Arkansas; Miles City, Montana.

Least cost effective below $200 per passenger: Hot Springs, Arkansas; Gadsden, Alabama; Laconia, New Hampshire; Worthington, Minnesota; Enid, Oklahoma; Mt. Vernon, Illinois; Brownwood, Texas; Ottumwa, Iowa; Clarksburg/Fairmont, West Virginia; El Dorado/Camden, Arkansas; Hot Springs, Virginia; Yankton, South Dakota; Harrison, Arkansas; Hastings, Nebraska; Paris, Texas; Chadron, Nebraska; Havre, Montana; Lamar, Colorado; Moab, Utah; Elkins, West Virginia; Worland, Wyoming.

In examining this list of points, it is important to be aware that the President's Budget for FY 1991 would presume real program cuts totaling $2.4 million. Therefore, it is the Department's position that 8–12 points may be vulnerable to program cuts in FY 1991 should that request be adopted.

Likewise, if it were determined that points requiring compensation of less than $75 per passenger and those listed descending order of adjusted miles represent the most cost-effective services, that list would appear as follows:

Most cost effective: Garden City, Kansas; Pierre, South Dakota; Scottsbluff, Nebraska; Iron Mountain, Michigan; Hays, Kansas; Liberal, Kansas/Guymon, Oklahoma; Dodge City, Kansas; Vernal, Utah; Cedar City, Utah; Massena, New York; Silver City, New Mexico; Page, Arizona; Williston, North Dakota; Fairmont, Minnesota; Alamosa, Colorado; Kearney, Nebraska; Kirksville, Missouri; Huron, South Dakota; Manistee/Ludington, Michigan; Great Bend, Kansas; Ironwood, Michigan/Ashland, Wisconsin; Ogdensburg, New York; Jamestown, North Dakota; Clovis, New Mexico; Ft. Leonard Wood, Missouri.

IG AUDIT OF EAS

Mr. COUGHLIN. The Inspector General recently completed an audit of the EAS program. What were the major findings?

[The information follows:]

The Inspector General made two major findings, summarized as follows:

Finding A—*Controls Over Recording Obligations of EAS Funds Consistent with New Legislation:* The Inspector General found that EAS funds were recorded as obligations when disbursements were made to carriers rather than when EAS orders were issued. This practice did not reflect changes first set forth in the fiscal year 1989 appropriation terminating the EAS program as an entitlement. As a result of this obligation procedure, the Inspector General expressed the opinion that: (1) financial reports submitted to OMB and Treasury did not accurately reflect the status of EAS funds; (2) unobligated EAS funds, including amounts needed to pay for services already received, were shown as being available and were transferred by Congress to other DOT activities, which reduced the funds available in the EAS Program for FY 1989 by at least $3.2 million; and (3) a legal review was needed to determine if any Antideficiency Act violations have occurred. Changes in accounting procedures have since been implemented that conform to the Inspector General's recommendation. In addition, the legal review has been conducted and has concluded that no Antideficiency Act violations have been committed.

Finding B—*Program Management Policies, Procedures and Practices:* The Inspector General found that guidance to hold-in carriers for preparing claims for incurred losses was too general. For example, carriers were not advised which types of revenue and expense allocation methodologies are allowable in specific cases or which records are necessary to adequately support submitted EAS claims. The Inspector General also found that the EAS program staff had no written procedures for (1) monitoring carrier performance and (2) receiving final hold-in and regular subsidy billings. As a final matter, the Inspector General expressed the opinion that the EAS program staff's reviews of carrier billings were not thoroughly documented so as to avoid duplication of work prior to field verification by the Office of Inspector General auditors. Nonetheless, the Inspector General found no evidence to conclude that any community would have received higher quality air service had written procedures been established or that any air carrier would have been subsidized any more or less than it was in fact subsidized. In response to these findings, additional guidance is being developed that will assist hold-in carriers in the filing of claims and in determining which records should be retained. Furthermore, instructions are in preparation that will detail the steps necessary in the processing of monthly subsidy claims.

Mr. COUGHLIN. Mr. Chairman, do you want me to continue?

Mr. LEHMAN. Did you have to leave?

Mr. COUGHLIN. I have to leave at 20 minutes before 12:00 because I agreed to make a speech at my alma mater, Yale, the President's alma mater as well, so I better go.

I will continue until then.

FAA ISSUES

NAS PLAN PROJECT DELAYS

Mr. COUGHLIN. According to the GAO, in the past year eight of the 12 major NAS Plan projects have slipped considerably. Most of these projects have already slipped several years. What can be done to get better control over the schedules for these programs?

Ms. CHAO. Obviously we don't like to see any of these slippages. When Secretary Skinner and I came into the department a year ago we had initiated a major review of the whole NAS plan. At that time it was a major discussion point as to whether we should wrap together all the F&E involved with the NAS plan or whether we should take the NAS plan as it had originally been crafted and conceived in 1981 and make that NAS Plan 1.

About 25 percent of the NAS plan projects are complete. Many scheduled adjustments are already behind us. Several others are in the delivery phase. That is again a very complicated issue. We would hope that the executive director for acquisitions would help in that as well. We are doing all we can to see that it does not occur.

NAS PLAN

Mr. COUGHLIN. The amount of non-NAS plan projects in the F&E account is growing. In fact, in two years they are estimated to represent over half of all F&E funding. Yet some still think of the F&E account and the NAS Plan as being one and the same, and the FAA clearly provides more support funding for projects in the

NAS Plan. Is the NAS Plan becoming an outmoded concept, and what can OST do to require that non-NAS Plan activities receive the same level of planning and reviews as those in the NAS Plan?

[The information follows:]

For several years, FAA has described its non-NAS Plan F&E needs in Chapter 7 of the NAS Plan. While this has been useful, you raise an important question about its adequacy.

Admiral Busey and Secretary Skinner have focused on this issue, and have concluded that FAA needs to develop a new, comprehensive Capital Investment Plan. A group within FAA is preparing such a plan, and FAA expects to publish it in July.

The FY 1991 budget reflects non-NAS Plan priorities including provision of safety needs, facilities to accommodate air traffic growth, and environmental cleanup.

Mr. COUGHLIN. The NAS Plan concept was sold to the Congress on the idea that it was a one-time capital improvement-type program. Now we see that the FAA is requesting large increases in full-time FAA staff to oversee acquisition of ATC modernization. Have you reviewed the FAA's long-term plans for staffing up the modernization effort, and do you believe it is necessary to make such a long-term commitment to additional staff?

Ms. CHAO. As I mentioned, when we first came in we looked at the NAS Plan. At that time the NAS Plan consisted of blue pages, white pages and brown pages. It was an evolving document which had a lot of add-on projects. At that time a great deal of discussion was occurring as to whether we should wrap all the F&E into the NAS Plan because we do view it as a dynamic process in that it is a constantly evolving one. We also thought if we made it a continuing process it would be very confusing, but it would be better to have a NAS Plan 1 in which we would take stock of what was the original plan conceived from 1980 to 1990 and then go forward with additional projects with something we called the "Capital Investment Plan".

A group within the FAA has prepared such a plan. FAA will talk to Ms. Moore about it in July of this year.

TERMINATION OF FAA'S CORN PROJECT

Mr. COUGHLIN. You might think this subcommittee was involved in agriculture because we spent a lot of time in the last couple of days discussing CORN. That is the computer resources nucleus.

The GAO is recommending that the FAA's CORN project be terminated. You may recall that the FAA did not want the GAO to have access to the bids for that system, and you intervened to allow the GAO access to the data. Do you have any say over whether or not the CORN contract is awarded, and have you reviewed the program since bids were received? Isn't such authority consistent with your responsibility to oversee major acquisitions for the department?

Ms. CHAO. CORN is a major project. I think there are a lot of benefits involved. It would add so much more flexibility not only to FAA but throughout the Department as well. Jon Seymour is Assistant Secretary for Administration. He obviously has the oversight authority to look at all of this. He has talked to GAO about the specifics of their report. I think in consideration of the FAA staff, we would like to talk to GAO and see specifically what they have to say before we make a decision as to whether we terminate the project.

Mr. COUGHLIN. GAO has some very strong feelings about this.

What is the opinion of OST's competition advocate on whether or not the CORN contract should be awarded given the existing level of competition?

Ms. CHAO. The competition advocate is within the Office of the Secretary. He has been fully involved in this project. CORN acquisition has gone to a full and open competition. It is an approach that is totally consistent with the competition objectives and he is very much involved.

CORN PROGRAM REVIEW

Mr. COUGHLIN. As opposed to air traffic control computers, CORN is designed to provide administrative data processing. Has the Assistant Secretary for Administration, Mr. Seymour, reviewed the CORN program recently, including the GAO's findings, and if so, what are his views?

Ms. CHAO. Yes, the Assistant Secretary has reviewed CORN, at the major decision point of the process. He has also talked with GAO on that. Admiral Busey I believe has talked with GAO on that. We have not sat down as a group to talk about specific things that we are going to do about it.

CONTROLLER TRAINING CONTRACT

Mr. COUGHLIN. In the committee's fiscal year 1988 report, we expressed concern over the contractor training provided to FAA data systems and controller personnel. At that time we stated that the FAA had not demonstrated the cost effectiveness of these contracts and directed submission of a plan to phase out those activities. Last month the IG reported that a contractor was paid $600,000 to train controllers at the O'Hare Airport, and yet the contractor conducted only one course over a nine-month period. In fact, the IG report states that FAA personnel had to train the contract instructors as well as FAA personnel. How did this happen, and why was it allowed to continue for over nine months? I understand that the contractor also has another $80 million contract to do some work.

Ms. CHAO. Obviously we think it is outrageous that it took so long to train the contractors to train our people. I think what has happened in this particular case was a very important lesson to the organization that they needed to develop detailed work statements and that they need to specify time limits.

They also need to provide contractor oversight. Unfortunately, this contractor, this whole contract involved an 8-A firm. So the decision to seek recovery will rest with SBA. Clearly there is no excuse for a contract like this. I think this is something we have to pay very close attention to.

FAA CONTRACT TRAINING

Mr. COUGHLIN. It is frustrating when agencies aren't responsive to congressional concerns, and when the same problems seem to keep recurring. Would you look into this matter for the Committee, and monitor the FAA to make sure that such contract training is—once and for all—stopped?

[The information follows:]

The Department understands the Committee's concerns. However, the purpose of contractor-provided training is to free up the controllers who are providing training so they could return to their controller or other operational duties. In 1986, FAA contracted out classroom and simulation training at all enroute air traffic facilities. When Chicago O'Hare was included in the contract training program in late 1988, the contract instructors had to receive training for the specific requirements and complexities of the O'Hare facility. The FAA personnel at O'Hare did provide that training. The contract, however, did not include milestones or schedules that required the contractor to have instructors certified with a certain period of time. FAA now recognizes that the training transition period at O'Hare was somewhat excessive and has taken several actions to tighten contract oversight and to ensure that the problems that occurred at O'Hare will not happen elsewhere.

Future contracts will include a detailed transition plan, milestones stating when the contractor shall fully assume the training functions, and time limits for training and certifying instructors. Costs for training beyond that time would be at the expense of the contractors. Furthermore, FAA is initiating a certification process for contract instructors, and is establishing an evaluation process for review of contract training.

Despite the earlier situation at Chicago O'Hare, the Department and FAA continue to believe that contractor-provided training should continue. If FAA staff were to provide the training, experienced controllers would have to be shifted from their air traffic control responsibilities to the training function. This would lower the number of full performance level controllers assigned to actual air traffic control duties, and controller overtime use would undoubtedly increase to cover the air traffic controller duties of those "shifted" controllers. FAA would also have to hire and train replacement controllers.

Last summer FAA submitted a report to the House Appropriations Committee showing how FAA could phase out contractor-provided training. Using the best plan from the study, FAA estimates that over a five-year period the costs of providing training in-house would be almost double the costs of contract training.

ASSESSMENT OF IG FINDINGS

Mr. COUGHLIN. The FAA does not agree with all of the IG's recommendations in this case. Would you provide us with an independent assessment of all of the IG's recommendations for the record?

[The information follows:]

FAA concurred or partially concurred with most of the IG's recommendations addressing the use of contractor training. However, FAA did not agree to: (a) require that all contract instructors have relevant experience in a similar facility; (b) seek recoveries from the contractor for nonperformance; or (c) limit the number of contract employees authorized for each facility. OIG believes that these rcommendations are still valid and requested that FAA reconsider their position. FAA has been given 60 days (i.e., until May 14, 1990) to advise the OIG of specific actions taken or planned for resolution of the findings and recommendations.

The Department does not believe an independent assessment is appropriate at this time since FAA has not had the opportunity to propose a full resolution of the audit finding and recommendations. If at the conclusion of the audit process the IG and FAA have not reached agreement, we will convene a study group to conduct an independent assessment of any outstanding issues. The results of this assessment will be forwarded to the Committee.

Mr. COUGHLIN. Mr. Chairman, I regret that I must catch an airplane.

Mr. LEHMAN. Have a nice trip.

COAST GUARD ISSUES

COAST GUARD'S ROLE IN DRUG INTERDICTION

Mr. **LEHMAN**. What role do you see for the Coast Guard in drug interdiction, especially now that the Department of Defense is requesting over $1 billion in funding for the same purpose?

Ms. **CHAO**. We see Coast Guard and Customs agencies continuing their active roles in continuing and monitoring of the drug traffic trade. These efforts are coordinated with DOD. The problem continues to be an immense one in which all agencies are going to have to be involved. The Coast Guard certainly provides a very, very important function especially on the sea lanes of our nation.

DOLPHIN HELICOPTER PROBLEMS

Mr. **LEHMAN**. I recently wrote Secretary Skinner expressing concern over the flightworthiness of the Coast Guard's Dolphin helicopter fleet. As you know, the LTS-101 engine in that helicopter has experienced serious problems, and there have been several recent crashes. Until the new power turbine wheel is installed, these concerns will always be present. It is my understanding that the Coast Guard has not considered some alternatives to flying the Dolphin in the near term, such as: borrowing helicopters from the U.S. Navy; bringing retired SAR helicopters out of mothballs; placing flight restrictions on the aircraft.

What are your plans for investigating the Committee's concerns, and will you include each of the above three options?

Ms. **CHAO**. Mr. Chairman, obviously when a letter comes from you, we pay special attention.

Mr. **LEHMAN**. You didn't have to say that.

Ms. **CHAO**. It is sincerely felt. The response to your letter is being worked on right now. As you know, the Secretary is personally involved in this issue and is closely following developments with the Dolphin and the whole engine issue. We are closely monitoring this program and we are working with the Coast Guard in developing contingency programs. Some of the alternatives discussed are not ones we think are doable.

For example, borrowing the helicopters from the Navy, given the Navy cutback in funding, would present some problems in terms of coordinating and taking away from the Navy's own mission.

Secondly, it may entail different kinds of training involved for the Coast Guard. Bringing the SAR helicopters out of retirement is not really a solution for the problem because bringing the helicopters out of retirement will involve refurbishing and may raise additional safety issues.

The third element, restricting flight operations is troublesome for us. The Coast Guard's mission purposes are quite taxing, and to restrict the flight operation is an issue we have discussed with the Coast Guard commandant very closely. Given their missions it is hard to cut back on their requirements.

Your letter also cited three incidents. Since I was not able to have a written response ready for you, I wanted at least to explain a little bit about the three incidents you mentioned in your letter. The private helicopter with the LTS-101 engine which crashed off

Miami with a loss of life was a single engine aircraft. The Dolphin has two engines and is safer. The power turbine wheel was sold as a scrap part and never certified for additional use. There was a clear violation there.

The second incident of an on-going investigation of a crash of a Dolphin was in early March in Puerto Rico. That investigation ruled out any engine problem as a cause of that particular accident.

Thirdly, the December 1989 crash of a Dolphin from air station Miami was the result of a power turbine wheel failure. Promptly following that incident a new inspection regime was implemented. As a result there have been no further failures to date.

Mr. LEHMAN. Do you intend to convene a "tiger team" led by OST and with representatives from NTSB, the FAA, and Coast Guard, as my letter suggests?

[The information follows:]

As previously discussed, the problems with the HH-65A helicopter engines have the Secretary's personal attention. He has asked the Coast Guard Commandant to keep him apprised of developments as Coast Guard pursues the three alternatives: improving the LTS-101, testing a T-800 engine, and testing a commercial engine. Additionally, Coast Guard is reporting its progress regularly to OST staff. Coast Guard has coordinated its efforts with NTSB and the FAA to ensure safety issues are fully assessed for potential impact on Coast Guard operations. Given the high level of attention this issue is receiving within the Department, we do not see a need for a "tiger team" at this time. If the situation worsens, we will certainly reconsider the need.

MOTOR LIFEBOAT PROGRAM

Mr. LEHMAN. We talked last year about the Committee's concerns over the Motor Lifeboat program. The Congress agreed to provide production funds, but to withhold funding until the IG certified that his concerns over the boat's design were satisfied. We're trying to avoid the problems with "buy before you fly". Do you agree that this contract should not be awarded until sufficient in-water testing is done to satisfy the IG's design concerns?

Ms. CHAO. We certainly agree with the IG's concerns. Let me also say that, while our relationship with the IG is one of great respect and great cordiality, the IG is quite independent. Actually from a management point of view we look toward the IG as a very effective source of information. The IG can point out management problems within the department that we as a whole should be focusing on. So we welcome their input. We obviously ask them to look into certain things at certain times, and we do agree with them on this particular issue.

MOTOR LIFEBOAT OPTIONS

Mr. LEHMAN. Would you also agree that it would be better to let the existing production options expire rather than sign the contract without resolving those design concerns through actual in-water testing?

Ms. CHAO. Mr. Chairman, I would like to defer on that. I am not sure how to answer that. May I think about that a bit and provide something for the record?

Mr. LEHMAN. Certainly.

Ms. CHAO. It is very complicated. Let me assure you that we are very cognizant of some of the flaws in the program. We have been trying to come to a closure, and negotiating with the contractor takes a great deal of time.

[The information follows:]

Coast Guard plans to do in-water testing to resolve the design concerns before exercising the option for preproduction vessels. Therefore, the expiration of the option should not be an issue. If prototype testing is delayed or reveals design problems, Coast Guard will assess whether the option should be extended or allowed to lapse.

COMMERCIAL SPACE ISSUES

U.S. COMMERCIAL SPACE LAUNCH STATUS

Mr. LEHMAN. What is the state of the U.S. commercial space launch business today?

Ms. CHAO. I think the world commercial launch service market is dominated by the U.S. and also European launch companies. With the award of our new launch contracts during the last year being evenly divided between U.S. firms and a French firm, the level of competition is escalating. The Japanese are getting into it as well as the Chinese and Soviets. Although the full pressure of Chinese entry into the world market was limited under a negotiated agreement between the US and PRC, the impact of China's participation is still being felt.

Their recent launch is a clear demonstration of their pride and eagerness to get into this industry. Potential entry of the Soviets into the market would be very significant. These are not market economies. As mentioned, we are taking a look at the commercial space industry and the requisite infrastructure that would be required to support a private commercial launch industry. We expect to have a report on that very shortly.

NEGOTIATIONS WITH THE SOVIET UNION

Mr. LEHMAN. The Committee is advised that the U.S. Trade Representative is considering the negotiation of a trade agreement with the Soviet Union which could encompass provisions of interest to the U.S. space launch vehicle industry. There are concerns that the U.S. should take action to protect our fledgling industry against possible predatory pricing by the Soviet Union. What is OST's role in these negotiations, and do you share the concerns of U.S. industry?

Ms. CHAO. There is a live case right now pending before the government. It is a proposal to allow an American company to participate in the development of a space launch facility in Cape York, Australia. Supposedly, this American company would participate in the design and certain aspects of this facility but we feel that this facility provides a very strong entry by the Soviets into the commercial launch industry and that the Soviets could launch potentially five to 10 launches from this new pad in Cape York.

This would be 50 percent of the market as we envision it. This capacity would be under the control of the Soviet Union. That would obviously pose significant national security questions as well. The Administration has not made a decision on this yet. It is pending before the National Space Council.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

At present, USTR is not involved in negotiations with the USSR regarding launches. It is our understanding that USTR has been participating in preparations for the US/USSR Summit in June. An interagency group, co-chaired by the State Department and NASA, has identified a number of possible space-related cooperative projects that could be discussed at the Summit. No decision has been made, however, as to whether any of these projects would in fact be proposed to the Soviets. In light of the on-going policy reviews focused on launch issues, it would seem premature to discuss launch-related issues at the Summit.

At the same time, the Department has indicated its concern regarding government-sponsored competition with U.S. commercial launch firms. This can be a problem with our European competitors, but it is an especially serious problem with non-market competitors. The government recognized the inherent unfairness of such competition and its potential harm when we considered entry of the Peoples' Republic of China (PRC) into commercial launch service competitive procurements. Thus, our agreement with the PRC provides mechanisms for mitigating the negative impacts that would have otherwise attended their entry into the market. The agreement with the PRC was negotiated, however, in the belief that the PRC would be the *only* nonmarket launch vehicle manufacturer we would have to contend with. The terms of the agreement pertaining to limits on PRC launches reflect this belief. Needless to say, the capabilities of this new entrant far surpass those of the PRC. Obviously, U.S. companies simply cannot compete with the Soviet government.

SPACE LAUNCH SERVICE LIABILITY INSURANCE

Mr. LEHMAN. Last November, you testified that guidelines for launch service liability insurance would be issued at the beginning of this calendar year. Did you meet that target, and if not, when will the guidelines be issued?

Ms. CHAO. We have asked to prepare regulations to codify the procedures used to determine insurance requirements for launch services under the law. This will be primarily procedural. It will codify into practice what are already existing commercial space practices such as the financial responsibility aspects of the launch licenses which are currently applied on a case-by-case basis. We are working on a notice of proposed rulemaking that is being drafted and is undergoing internal coordination. It has not reached my office yet.

SATELLITE LIABILITY

Mr. LEHMAN. On March 14, 1990, a commercial communications satellite malfunctioned while in orbit. What are the liability issues in this case, and would clear guidelines have been of value here?

[The information follows:]

There are numerous liabilities that can arise out of such a situation. These include potential liabilities borne by the private parties involved in a launch, as well as by the government.

Each license DOT issues contains provisions that address the damages or injuries that may be sustained by those entities who are involved in launch operations (both private parties and the government), as well as damages and injuries that may be sustained by persons who are not involved in launch operations (third parties). These provisions in DOT licenses impose requirements for insurance coverage. They also require agreements whereby parties involved in launch operations waive certain potential claims against each other.

DOT's guidance to each licensee has, to date, been both clear and quite detailed. We are not aware of any impact additional guidance could have had upon the case in question.

COMMERCIAL LAUNCH BARRIERS STUDY

Mr. LEHMAN. You recently initiated a study to determine what barriers the government places in the way of companies offering commercial launch services. Is the study completed, and if so, what were its findings?

[The information follows:]

DOT is not involved with any studies that specifically address barriers to entry. However, DOT is involved with a variety of studies examining related issues, such as: launch facilities capacity and operating practices; the government approach to purchasing launch vehicle services; competition from non-market economies; access to launch facilities; and the impacts of Federal R&D.

There are a number of initiatives underway that indirectly provide insights into the issue of barriers to entry. For example, DOT completed a study in June, 1989 (Scheduling Commercial Launch Operations at National Ranges), that dealt with the availability and capacity of U.S. launch pads and the procedures for scheduling launches, and the way the facilities are operating.

DOT is also working with DOD on a study focusing on government procurement practices and their impact on the commercial launch industry. The study is examining how the government imposed specifications for launch vehicles affect the ability of U.S. companies to compete in the commercial space market, and if this impedes the ability of U.S. launch companies to reduce launch costs. DOT is also involved in a study to examine various options for implementing the user fee program, and contributing to a number of interagency discussions regarding space policy, under the aegis of the National Space Council.

COMSAT LAUNCH PROJECTIONS—U.S.

Mr. LEHMAN. Last year, you estimated approximately 20 COMSAT payloads requiring launch annually for the next five to seven years, and that the U.S. would receive orders to launch about 50 percent of them. Has that estimate changed?

[The information follows:]

The estimate is essentially the same. During the calendar year 1989, 18-20 commercial launch services decisions were made and/or announced for medium and large payloads. About half of these were won by U.S. launch companies, and the other half were won by Arianespace. The majority of these competitions were for civilian communications satellites.

In general, DOT and the various industry sources are in agreement that there will be 15 to 20 civilian communications satellite competitions per year in the international market for the next several years, with an overall average of 12 to 15 for the next ten years. Provided the current competitive picture remains constant, DOT expects that the U.S. launch services companies will bid successfully on approximately half of these payloads.

JAPANESE INTEREST IN COMMERCIAL LAUNCH MARKETS

Mr. LEHMAN. Do the Japanese have firm plans to enter the launch vehicle and launch services markets and if so, when can we expect that to occur?

[The information follows:]

Japan is expanding their expendable launch vehicle capabilities. One of the major development projects for Japan's National Space Development Agency (NASDA) is the H-II expendable launch vehicle (ELV). The H-II will consist of all Japanese components, and thereby will not be subject to the terms of the U.S.-Japan Space Cooperation Agreement. The Japanese H-I vehicle, currently in use, uses U.S. Delta technology for its first stage and cannot be used for commercial services.

Japan has made no public statements that it will use the H-II for commercial purposes, although several reports indicate that it will. The level and timing of Japan's participation in the international launch market are uncertain. Published sources indicate that the H-II will be significantly more expensive to build and launch than comparable Western vehicles. In addition, significant technological problems need to be resolved before the H-II becomes operational. The potential emergence of Japan as a provider of commercial launch services has been delayed by at least one year (to 1993 at the earliest) following major test failures of the H-II's first stage LE-7 engine and turbopumps.

COMMERCIAL SPACE LAUNCH SCHEDULE

Mr. LEHMAN. For the record, please update the commercial space launch chart shown on pages 493 and 494 of last year's hearing record.

[The information follows:]

The following chart shows expected and committed launches that would be covered by DOT licenses for launch company operations and/or actual launches.

COMPANY	PAYLOAD/COUNTRY	CUSTOMER LAUNCH DATE	LOCATION
Space Services, Inc.	Consort 3 (U.S.)	5/90	White Sands
General Dynamics	CRRES (U.S.)	6/90	Canaveral
Martin Marietta	INTELSAT VI (Intern'l Consortium)	6/90	Canaveral
McDonnell Douglas	INSAT 1-D (India)	6/90	Canaveral
McDonnell Douglas	BSB-R2 (Great Britain)	8/90	Canaveral
McDonnell Douglas	INMARSAT-2 Flt#1 (Intern'l Consortium)	10/90	Canaveral
General Dynamics	EUTELSAT (European Consortium)	11/90	Canaveral
Orbital Sciences Space Data Division	Joust 1 (U.S.)	11/90	Canaveral
Space Services, Inc.	Consort 4 (U.S.)	11/90	White Sands
McDonnell Douglas	NATO IVA (NATO)	12/90	Canaveral
McDonnell Douglas	INMARSAT-2 Flt#2 (Intern'l Consortium)	2/91	Canaveral
McDonnell Douglas	ASC-2 (U.S.)	3/91	Canaveral
Orbital Sciences Space Data Division	LPX 1 (U.S.)	3/91	Wake Island
McDonnell Douglas	AURORA II	5/91	Canaveral
Space Services, Inc.	Consort 5 (U.S.)	5/91	White Sands
AMROC	SET-2 (U.S.)	/91	Vandenberg
General Dynamics	GOES I (U.S.)	/91	Canaveral

General Dynamics	GALAXY V (U.S.)	/91	Canaveral
General Dynamics	INTELSAT-K (Intern'l Consortium)	/91	Canaveral
Orbital Sciences Space Data Division	Joust 2 (U.S.)	/91	Canaveral
Orbital Sciences Space Data Division	LEAP 1 (U.S.)	/91	White Sands
Orbital Sciences Space Data Division	LEAP 2 (U.S.)	/91	White Sands
Orbital Sciences Space Data Division	LPX 2 (U.S.)	1/92	Wake Island
Martin Marietta	MARS OBSERVER (U.S.)	9/92	Canaveral
General Dynamics	GOES J (U.S.)	/92	Canaveral
General Dynamics	GALAXY IR (U.S.)	/92	Canaveral
General Dynamics	UHF 1 (U.S.)	/92	Canaveral
General Dynamics	ORION 1 (U.S.)	/92	Canaveral
Orbital Sciences	FREJA (Sweden)	/92	Pegasus Air Launch
General Dynamics	INTELSAT VII Flt#2 (Intern'l Consortium)	/93	Canaveral
General Dynamics	INTELSAT VII Flt#3 (Intern'l Consortium)	/93	Canaveral
General Dynamics	ORION 2 (U.S.)	/93	Canaveral
General Dynamics	SAX (Italy)	/94	Canaveral
General Dynamics	GOES K (U.S.)	/95	Canaveral

COMMERCIAL LAUNCH COST ADVANTAGE IN GUIANA

Mr. LEHMAN. How much of a cost advantage does Arianespace receive from locating its launch facilities in Guiana, compared to U.S. launches at Cape Canaveral, White Sands, or Vandenberg?

[The information follows:]

Arianespace receives several benefits from its location in Kourou, French Guiana, which it has advertised extensively in its marketing program. Due to its relatively close location to the equator (5 degrees north latitude), the lift-capacity of a given launch vehicle carrying a payload to a geostationary transfer orbit is augmented relative to the same vehicle from a higher latitude (Cape Canaveral has a north latitude of 28.5 degrees). This is because the eastward "boost" imparted to the vehicle from the earth's eastward rotation is greatest at the equator, and because the level of energy needed to correct the relatively small inclination to the equator of a launch trajectory from Kourou is substantially less than it is from a launch site further from the equator.

Overall, a vehicle launching into a geostationary transfer orbit will get about 10 percent better payload lift performance from Kourou than from Cape Canaveral. This translates into a 10 percent lower launch cost per pound of payload. There are no comparable numbers for geostationary launches from other U.S. launch sites, because these either cannot support launch azimuths suitable for geostationary launches (Vandenberg), cannot support orbital launches (White Sands) or cannot support medium or larger launch vehicles (Wallops). Kourou also benefits Arianespace because it is primarily dedicated to commercial launches, and while subject to a rainy season, is not subject to the severe weather conditions that cause delays at Cape Canaveral.

DEVELOPMENT OF COMMERCIAL LAUNCH SITES

Mr. LEHMAN. The states of Florida, Hawaii, and Virginia have been considering the development of commercial launch facilities. What is the status of those efforts?

Ms. CHAO. I think it is quite exciting. In Hawaii in April 1988 the state completed an extensive feasibility study and also a preliminary selection of two alternative space launch sites. After that they began to prepare a master plan and also initiated the EIS process for the proposed commercial launch facilities. The Office of Commercial Space Transportation and the State are serving as joint lead agencies in the preparation of this EIS. The development of the EIS for both sites began in October of last year and is scheduled for completion by the end of this year.

In Florida they created a space port authority in 1989 and provided $1.9 million in operating funds and $210 million in bonding authority. So I think that is very exciting. The authority had its first meeting in September of last year. Although the state does not yet have the right to use either of the sites designated for consideration in Florida, negotiations are underway to use facilities which are currently owned by the Air Force.

Virginia is the third one. This one has been primarily the commonwealth exploring the possibility of having something.

Mr. LEHMAN. Please expand on your answer for the record.

[The information follows:]

The Commonwealth of Virginia has been exploring the feasibility of establishing launch sites, either at a Federal or non-Federal location, dedicated to commercial launches.

Hawaii requested a preliminary determination from OCST as to the suitability of the two alternative sites. OCST conducted a study to determine whether launch activities may be safely conducted from either or both of the proposed sites, the results of which have been recently released in a report entitled, "Safety Assessment of Two Proposed Hawaii Launch Sites: Palima Point and Kahilipali Point." A determination was made that both sites are acceptable from a safety perspective as candidate commercial launch sites. This determination does not constitute a license, but it does allow Hawaii to make its final site selection and proceed with the EIS with the reasonable assurance that the site itself does not pose problems, from a safety perspective, that might negatively affect future OCST licensing decisions.

LAUNCH LICENSE APPLICATIONS

Mr. LEHMAN. Please also update for the record the data on launch license applications shown on page 509 of last year's hearing record, including an update of the processing time cited.

[The information follows:]

In order to keep pace with a growing number of license applications for launch and related operations, OCST is shifting the focus of its licensing process from individual launches to longer-term launch programs. This approach should allow DOT to maintain a high level of safety while facilitating the licensing process, reducing the paperwork burden on the industry, and providing more efficient regulation of the complete spectrum of activities covered by the Commercial Space Launch Act, and reduce the number of applications handled by the office.

This approach is reflected in the ongoing processing of a recent application by General Dynamics Corporation (GDC). The application represents a request for a license for a group of launches. If granted, the license would be effective for a 2-year period for launches of all payloads within certain defined categories, specifically communications, remote sensing and scientific satellites.

The following companies has launch license applications pending as of April 22, 1990:

Company	Purpose	Launch date
Martin Marietta	INTELSAT VI	June 1990
McDonnell Douglas	BSB–R2	August 1990
General Dynamics	Atlas I Launches	1990–1992
Spaceport Florida/Cape San Blas	Operation of a launch site	1990
Preapplication Consultation:		
Orbital Sciences/Space Data Division	2–3 Joust Launches	1990
Orbital Sciences/Space Data Division	6–20 SDIO–Related Launches	1991

Although the number of applications may eventually decline, their complexity is likely to increase. Depending on the complexity of the proposed mission, it will take 3 to 6 months to process each license application.

PEGASUS LAUNCH VEHICLE

Mr. LEHMAN. A couple of weeks ago, the Department of Defense launched the first "Pegasus" launch vehicle. The Pegasus is unique in that it is launched from an aircraft rather than off of the ground. Reportedly, the prime contractor, Orbital Sciences, has invested heavily in Pegasus development because they view it as having significant commercial launch potential. Are you familiar with the Pegasus, and if so, what is your view of that technology?

Ms. CHAO. I think the Pegasus initiative should really be applauded because it signals the introduction of a new approach to launching small payloads in both orbital and sub-orbital flight. I think it is noteworthy that there is room in this changing industry for small innovative entrepreneurial companies to develop inexpensive and simple air-launched vehicles may well find a niche in this new market.

The private sector was involved in raising the funds for its development. It took about two years to do so. It is a very positive step.

Mr. LEHMAN. And this will give the U.S. an advantage over some other nations in this area, a head start?

Ms. CHAO. Yes.

PEGASUS CHARACTERISTICS

Mr. LEHMAN. Please expand on your answers for the record, and include a description of the technical characteristics of the Pegasus launch vehicle.

[The information follows:]

Pegasus is a three-stage, solid-propellant, inertial guided, all-composite winged space booster. Its gross weight, including the payload, is approximately 40,500 pounds. It is approximately 49 feet long with a diameter of 50 inches and a wingspan of 22 feet.

Pegasus is carried aloft by a conventional transport/bomber-class aircraft and dropped for level launch at approximately 40,000 feet altitude. It can carry payloads to lower altitude/lower inclination orbits.

Pegasus takes advantage of the velocity supplied by the aircraft, its altitude with resulting potential energy and reduced air drag, improved propulsion efficiency due to higher motor expansion ratios, reduced gravity losses due to its "S-shaped" trajectory and wing-generated lift, and reduced thrust direction losses due to reduced velocity vector turning. Its first and second stage motor cases and the delta wing make use of advanced composite graphite technology.

FMFIA MATERIAL WEAKNESSES

Mr. LEHMAN. For the record, please provide a listing of all "material" weaknesses reported under the FMFIA and indicate those that have been corrected, similar to the data provided on pages 512-518 of last year's hearing record.

[The information follows:]

A listing of the 119 "material" weakness areas is provided below by administration and functional area. More detailed information on each weakness is contained in our 1983-1989 Federal Managers' Financial Integrity Act reports.

OFFICE OF THE SECRETARY

	Corrected	Planned Correction Date
ADP Security		
1. Software Access Control	X	
2. Identify and certify sensitive applications	X	
3. Conduct risk analyses of facilities	X	
4. Contingency plans	X	
5. Develop policies and procedures in Transportation Computer Center	X	
Financial Management		
6. Cash management policy	X	
7. Debt collection policy	X	
8. Accounting operations reconciliations	X	
9. Implement Imprest Fund review procedures	X	
10. Implement IRS Form 1099 reporting procedures	X	
11. Implement Prompt Pay provisions	X	
12. Personnel and Payroll systems		1993
Property Management		
13. Identifying and accounting for personal property	X	
Procurement		
14. Procurement clearance procedures	X	
15. Closeout of contracts	X	

		Corrected	Planned Correction Date
16.	Procurement request procedures	X	
17.	Procurement automated information system	X	
18.	Inadequate training of procurement staff on procedures and policy	X	
UNITED STATES COAST GUARD			
	ADP Security		
19.	Lack of security controls	X	
	Financial Management		
20.	Various areas (i.e., cash management, accounts receivable, etc.)	X	
21.	Security over automated accounts payable system	X	
22.	Develop and implement procedures for collection activities	X	
23.	Imprest funds	X	
24.	Collection of user charges		1990
	Property Management		
25.	Lack of policies and procedures to control electronic equipment	X	
26.	Lack of controls over property management	X	
27.	Yard inventory policies and procedures	X	
28.	Property procedures for contractor held property	X	
29.	Inventory procedures of onboard repair parts	X	
30.	Implementation of automated inventory system	X	
	Procurement		
31.	Timeliness of acquisition	X	
32.	Implement procurement procedures for spare parts and small purchases	X	
33.	Contract change orders and 378 foot Fleet Renovation and Modernization	X	

		Corrected	Planned Correction Date
	Program Management		
34.	Administering Pollution Fund activities	X	
35.	Overseas Housing Allowance Program	X	
36.	Health Services Program	X	
37.	Marine Safety Information Program	X	
38.	Vessel Repair and Prevent Maintenance	X	
39.	Government Quarters/Relief Boat	X	
40.	Marine Environmental Protection	X	
41.	Coast Guard Bridge Administration	X	
42.	Cummins VT-903 Overhaul Program		1990
43.	Hazardous waste and materials	X	
44.	PCB electrical equipment management	X	
45.	Procedures for repair versus purchase of parts	X	
46.	Noncompliance with laws related to underground storage facilities		1990
47.	Noncompliance with regulations concerning aboveground fuel storage tanks		1990
	FEDERAL AVIATION ADMINISTRATION		
	ADP Security		
48.	Integration of information resources management projects		1990
49.	ADP operations	X	
	Financial Management		
50.	Cash receipts	X	
51.	Accounting system security	X	
	Property Management		
52.	Lack of controls over personal property at selected field locations	X	
53.	Lack of property management control at headquarters	X	
54.	Physical inventories	X	

	Corrected	Planned Correction Date
55. Depot inventory reconciliation	X	
Procurement		
56. Procurement procedures	X	
57. Acquisition control for computer systems and services		1990
58. Energy Conservation Program	X	
59. Airline Enroute Inspection & Surveillance	X	
60. Hazardous materials and fuels	X	
61. Spill prevention and control		1990
62. Disaster Contingency Plan	X	
63. Airway Facilities Technical Changes	X	
64. Management and Utilization of Leased Vehicles	X	
65. Permanent Change of Station Travel Voucher procedures	X	
66. Drug testing	X	
67. Engine management	X	
68. Recruitment/screening of Air Traffic personnel		1995
69. Monitoring of airport construction materials		1990
70. Cost/benefit of Advanced Automation System		1990
FEDERAL HIGHWAY ADMINISTRATION		
ADP Security		
71. Under utilization of automated systems	X	
Financial Management		
72. Timeliness of obligations	X	
Property Management		
73. Management and disposal of surplus property	X	
74. Inventory of accountable property	X	
Procurement		
75. Lack of control over change orders	X	

		Corrected	Planned Correction Date
	Program Management		
76.	Review of grantee change orders	X	
77.	Certification of Disadvantaged Business Organizations	X	
78.	Grantee employment of consultants on Federal Aid Highway Projects		1990
79.	Urban highway construction delays	X	
80.	National Bridge Inspection Program	X	
81.	Vehicle Weight Enforcement Program	X	
FEDERAL RAILROAD ADMINISTRATION			
	Financial Management		
82.	Lack of control over receivables	X	
83.	Untimely billings and collections	X	
	Property Management		
84.	Property policy and procedures implementation	X	
	Program Management		
85.	Under reporting injuries and accidents		1990
86.	Hazardous materials inspection program		1990
87.	Safety enforcement program		1990
88.	Noncompliance with 49 CFR 217		1990
URBAN MASS TRANSPORTATION ADMINISTRATION			
	ADP Security		
89.	Information Resource Management Program policy	X	
	Financial Management		
90.	Lack of fund control	X	
91.	Improve voucher preaudit and approval procedures	X	

		Corrected	Planned Correction Date
	Property Management		
92.	Procedures and inventories	X	
	Procurement		
93.	Procedures	X	
	Program Management		
94.	Grants Management System	X	
95.	Grantees possession of surplus property	X	
96.	Policy on grantees management of bus fleets	X	
97.	Bus utilization policy	X	
98.	Grant management closeout policies and procedures	X	
99.	Validation of Mass Transit Formula Grant Data	X	
100.	Revise grant triennial review guidance	X	
101.	Disadvantaged/Women Business Enterprise Program	X	
102.	Audit follow-up report system	X	
103.	Transportation of school children policy	X	
104.	Section 18 Management	X	
105.	Grantee's Transit Management Consultant (TMC) Contracting	X	
	Grant Management		
106.	Increased grants management oversight needed		1992
MARITIME ADMINISTRATION			
	ADP Security		
107.	Disaster recovery controls		1990
108.	Software security	X	
	Property Management		
109.	Vessel spare parts	X	
	Procurement		
110.	Change orders on ship repairs	X	

		Corrected	Planned Correction Date
	Program Management		
111.	Subsidized Operator's Maintenance	X	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
	Financial Management		
112.	Validation of accounting data prior to input	X	
	Property Management		
113.	Property in possession of contractors	X	
	Procurement		
114.	Provide for open competition	X	
	Program Management		
115.	Grantee controlled property	X	
116.	Motor Vehicle Research	X	
117.	Odometer Enforcement	X	
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION			
	Program Management		
118.	Inspection of pipelines		1992
119.	Inspection of high pressure cylinder facilities		1991

HAZARDOUS MATERIALS—FMFIA LIST

Mr. LEHMAN. Last year, you described the most serious open items on the FMFIA list. These were all hazardous materials problems, and you expected to have them resolved by the end of fiscal year 1989. Did you meet that schedule, and if not, why not?

[The information follows:]

Two of the three open items were corrected in 1989. The status of the third, which we described as FAA's Spill Prevention and Control, is as follows:

The construction of spill prevention facilities at the central utility plant and in the Research and Development (R&D) area at the FAA Technical Center were scheduled to be completed by December 1989. A list of minor construction "punch list") items that need to be addressed to meet the requirements of the contract have been mutually agreed to be FAA and the contractor. The completion date has been revised from December 1989 to May 1990.

Construction plans for a spill prevention facility at the FAA jet Fuel Farm was being held in abeyance since the New Jersey Air National Guard (NJANG) was building a new jet fuel farm. Once the NJANG facility became operational, the FAA facility was to be closed. Construction by the NJANG has not been completed. The completion target date has been revised from December 1989 to June 1990 to ensure the contractor completed the "punch list" items agreed to by NJANG.

FMFIA OPEN ITEMS

Mr. LEHMAN. Of the remaining open items today, which are most serious and when will corrective action be taken?

[The information follows:]

We identified our material weaknesses into three groups in our "FMFIA 1989 Report to the President and the Congress." Our highest priority material weaknesses were associated with safety and environmental issues. The following is a lsit of those weaknesses which are currently considered to be the most serious, along with the planned correction dates:

Oper. Admin.	Short description	Year identified	Targeted correction date
USCG	Noncompliance with State and Federal laws relating to underground storage facilities	1989	1990
FRA	Railroads often under-report injuries and accidents to FRA	1989	1990
FRA	In FRA's Hazardous Materials (HazMat) Inspection Program insufficient staffing and program guidelines impair the fulfillment of FRA's safety enforcement mission.	1989	1990
FAA	Inadequate management controls to oversee the training and hiring of air traffic controllers, aviation safety inspectors, and maintenance technicians in the field.	1989	1995
RSPA	Inadequate execution of responsibilties for inspection of pipelines	1989	1992
RSPA	Inadequate execution of responsibilities for inspection of high pressure cylinder facilities	1989	1991
FAA	Inadequate controls in place to prevent spills of hazardous/toxic waste	1985	1990
USCG	Noncompliance with regulations concerning above ground fuel storage tanks	1989	1990

CONGRESSIONAL STUDIES—1990 APPROPRIATIONS ACT

Mr. LEHMAN. Would you provide a status report on each of the studies requested by the fiscal year 1990 Appropriations Act and in the various accompanying Committee reports?

[The information follows:]

03-May-90

FY 1990 APPROPRIATIONS COMMITTEE ACTION ITEMS

I - HOUSE REPORT 101-183 (H. R. 3015)

HOUSE REPORT PAGE NO.	DESCRIPTION	PRIMARY/ COORD. ADMIN	-----B-20 STATUS--- DUE IN.	DELIVERED	----HILL STATUS----- DUE ON	DELIVERED	COMMENTS
H-11	REVIEW OF OST ORGANIZATION	OST-R	SEE COMMENT		SEE COMMENT		Resolve issues during FY 1990
H-66 **	LOCAL CAPACITY SURCHARGE STUDY	OST-S1	05-01-90		05-20-90		
H-70	HIGHWAY/TRANSIT FUNDING BALANCE	OST/P	SEE COMMENT		SEE COMMENT		No due date specified; estimate late March 1990
H-20	PUGET SOUND VTS EXPANSION	USCG	01-11-90	03-14-90	02-01-90	04-15-90	
H-20	PASSIVE ACOUSTIC SURVEILLANCE	USCG	12-27-89	01-09-90	01-15-90	03-12-90	
H-20	ANTI-SUBMARINE WARFARE READINESS	USCG	SEE COMMENT	03-20-90	SEE COMMENT	04-15-90	See S-16 requirement
H-24	DOLPHIN HELICOPTER ENGINE ASSESS	USCG	SEE COMMENT		SEE COMMENT		Date superseded by Conference Report p. C-21
H-35	VFR LEVEL I TOWER STATUS	FAA	01-10-90	02-21-90	01-31-90	04-02-90	
H-38	NATIONAL AIRLINE INSPECTIONS	FAA	01-08-90	03-02-90	01-20-90	OVERDUE	OST comments ret'd to FAA 04-03-90.
H-39	AIRPORT STAFFING - REGIONAL OFF.	FAA	01-03-90	03-05-90	01-31-90	04-16-90	
H-39	SACRAMENTO CA. AIRSPACE MGMNT	FAA	12-10-90R		12-31-90E		Extension letter to Committees on 03-29-90
H-44	OPERATIONS OBLIGATIONS	FAA	COPY		QUARTERLY	CURRENT	1st Qtr. Report sent to Committees 02-28-90.
H-46	NAS PLAN FIELD STAFF REQMNTS	FAA	05-15-90R	05-01-90	05-31-90E		Interim report in OST coordination; comments due 05-04-90.
H-49 **	VSCS RISK CERTIFICATION	FAA	SEE COMMENT		SEE COMMENT		FAA to prepare certification for S-1 prior to contract award
H-53	RADIO TONE CONTROL VALUE ANALYSIS	FAA	07-16-90R		07-31-90E		Extension letter to Committees 03-23-90.
H-54	SAN JUAN PR. TOWER REPLACEMENT	FAA	12-04-89	02-21-90	01-01-90	03-08-90	
H-54	BOZEMAN MT. TOWER ESTABLISHMENT	FAA	03-19-90R	OVERDUE	03-30-90E	OVERDUE	Draft report expected in OST week of 05-07-90
H-59	GAO COMM EVAL/FAA RESPONSE	FAA	SEE COMMENT		SEE COMMENT		Defer contract award until Committee reviews
H-62	AIRPORT CAPACITY R&D PLAN UPDATE	FAA	12-04-89	04-10-90	12-31-89	OVERDUE	OST comments ret'd. to FAA 04-19-90.
H-66	NEW COMM. HUB AIRPORTS STUDIES	FAA	01-14-91R		01-31-91E		Extension letter to Committees 03-02-90.
H-79	FED-AID. FUNDING STATUS	FHWA	COPY		MONTHLY		
H-87	MCS ENFORCEMENT PROGRAM IMPROV.	FHWA	01-08-90	01-31-90	02-01-90	03-01-90	
H-112	MAGLEV TECHNOLOGY ASSESSMENT	FAA	06-01-90		06-29-90		Reiterates H-98 requirement of FY 1989 report
H-126	WESTSIDE LIGHT RAIL EXT.	UMTA	SEE COMMENT		SEE COMMENT		Prepare letter of intent and FFA for S-1 signature by 09-30-90.
H-126	PORTLAND METRO NEW STARTS	UMTA	SEE COMMENT		12-20-89	OVERDUE	UMTA Administrator met with Sen. Hatfield & Rep. Aucoin on 02-28-90 and agreed to approve Alternatives Analysis for the Hillsboro segment by 04-30-90.
H-134	HAZ MAT ENFORCEMENT FIELD STUDY	RSPA	SEE COMMENT	02-21-90	SEE COMMENT	OVERDUE	Final OMB changes ret'd. to RSPA 04-25-90.
H-136	PIPELINE INSP. IMPLEMENT. PLAN	RSPA	11-03-89R		11-10-89E	11-13-89	
H-136 **	PIPELINE SAFETY RISK/INSP/STAFF	RSPA	03-01-90R	03-08-90	03-15-90E	OVERDUE	Final version in OST; expect to S-1 (S-10) week of 05-07-90.
H-23	MOTOR LIFEBOAT DESIGN CERT.	OIG/USCG	SEE COMMENT		SEE COMMENT		Requirement modified by Conf. Report p. C-21.

** S-1 signature

03-May-90

FY 1990 APPROPRIATIONS COMMITTEE ACTION ITEMS

II - SENATE REPORT 101-121 (H. R. 3015)

SENATE REPORT PAGE NO.	DESCRIPTION	PRIMARY/ COORD. ADMIN.	0 20 STATUS		HILL STATUS		COMMENTS
			DUE IN	DELIVERED	DUE ON	DELIVERED	
S-8 **	REVIEW OF GRANT MGMNT. OVERSIGHT	OST-M	02-01-90	01-26-90	03-01-90	04-10-90	
S-9(GP342)	EFFECT OF EXPRESS PKG. INDUSTRY	OST-P	SEE COMMENT		SEE COMMENT		Due date specified in Conference Report p. 53
S-57 **	LOCAL CAPACITY SURCHARGE STUDY	OST-S1	05-01-90		05-20-90		
S-16	ANTI-SUBMARINE WARFARE READINESS	USCG	03-12-90	03-20-90	04-01-90	04-15-90	
S-19 **	DRUG PLAN EFFECT ON INTERDICTION	USCG	SEE COMMENT		SEE COMMENT		Date superseded by Conference Report p. C-16
S-20	COST RECOVERY EFFORTS	USCG	SEE COMMENT		SEE COMMENT		Date superseded by Conference Report p. C-16
S-26	MARINE ENVIRON. PROT. R&D PLAN	USCG	SEE COMMENT		SEE COMMENT		Date superseded by Conference Report p. C-21
S-33	VFR LEVEL I TOWER STATUS	FAA	01-10-90	02-21-90	01-31-90	04-02-90	
S-34	FEAS. OF NAS SPEC PROJ OFF	FAA	01-03-90	OVERDUE	01-31-90	OVERDUE	Report in FAA coordination; expected in OST week of 04-30-90.
S-36	NEW CONN. HUB AIRPORTS STUDIES	FAA	01-14-91R		01-31-91E		Extension letter to Committees 03-02-90.
S-36	FEASIBILITY REG. AIR CARGO FACIL	FAA	07-16-90R		08-01-90E		Letter to Sen. Byrd on 02-08-90 regarding Aug. 1990 completion.
S-44	INTERIM SUPPORT PLAN BASELINE	FAA	01-08-90	03-08-90	01-31-90	04-04-90	
S-45	UNIFIED F&E PLAN	FAA	ANNUAL		ANNUAL		
S-45	NAS PLAN PROJECT LISTING	FAA	SEE COMMENT		01-31-90	01-29-90	Listing provided to GAO
S-53	AIRPORT CAPACITY R&D PLAN UPDATE	FAA	12-01-89	04-10-90	12-31-89	OVERDUE	OST comments ret'd. to FAA 04-19-90.
S-54 **	DOD AVIA SECURITY PROGRAMS STUDY	FAA	02-01-90R	OVERDUE	03-01-90E	OVERDUE	Provide data to Comm. on Terrorism; expect in OST wk of 04-30-90
S-58	SAN JUAN PR TOWER REPLACEMENT	FAA	12-04-89	02-21-90	01-01-90	03-08-90	
S-59	CARROLL AIRPORT IA. FUNDING PLAN	FAA	11-14-89	12-18-89	12-01-89	01-11-90	
S-61	MARKET POTENTIAL HARDWOOD BRIDGES	FHWA	05-01-90		05-20-90		
S-62 **	NAT'L. SCENIC BYWAYS STUDY	FHWA	08-07-90		09-07-90		
S-63	B-W PKWY BRIDGE COLLAPSE REPORT	FHWA	01-20-90	01-31-90	02-19-90	02-24-90	
S-73	SAFETYNET INSP. IMPLEMENTATION	FHWA	SEE COMMENT		SEE COMMENT		Review at future hearings
S-74	TRUCK SAFETY/PUBLIC AWARENESS	FHWA	01-12-90	01-25-90	02-01-90	02-22-90	
S-85	TRUCK SAFETY/PUBLIC AWARENESS	NHTSA/FHWA	01-12-90	01-25-90	02-01-90	02-22-90	
S-92	SAFETY FIELD STAFF VACANCIES	FRA	SEE COMMENT		SEE COMMENT		Review at FY 1991 hearings
S-93	SAFETY INSPECTOR FUNDING	FRA	SEE COMMENT		SEE COMMENT		Review at future hearings
S-93	DISTRIBUTION OF INSPECTOR STAFF	FRA	11-15-89	11-27-89	12-01-89	11-30-89	
S-94	HUMAN FACTORS R&D	FRA	SEE COMMENT		SEE COMMENT		Include in FY 1991 budget justifications
S-94	AAR TANK CAR COMM. OVERSIGHT	FRA/RSPA	01-04-90	01-04-90	01-21-90	01-22-90	
GP345	WASTE TECHNOLOGY R&D	FRA	07-31-90		08-21-90		
S-103 **	NY MTA SAFETY INVESTIGATION PLAN	UMTA	12-10-89	01-02-90	12-19-89	02-27-90	
S-116	HAZ MAT ENFORCEMENT FIELD STUDY	RSPA	12-01-89	02-21-90	12-20-89	OVERDUE	Final OMB changes ret'd. to RSPA 04-25-90.
S-118	2.5 YR. PIPELINE INSP. CYCLE	RSPA	SEE COMMENT	03-08-90	SEE COMMENT		Was to be included in FY 1991 budget - now included with H-136 report. Final version in OST; expect to S-1 (S-10) week of 05-07-90.

** S-1 signature

03-May-90

FY 1990 APPROPRIATIONS COMMITTEE ACTION ITEMS

III - HOUSE REPORT 101-315 (H. R. 3015) CONFERENCE REPORT

REPORT PAGE NO.		DESCRIPTION	PRIMARY/ COORD. ADMIN.	-----B-20 STATUS---		----HILL STATUS-----		COMMENTS
				DUE IN	DELIVERED	DUE ON	DELIVERED	
C-9	**	FOREIGN INVEST AIRLINE ACQ/MERGERS	OST-P	01-10-90	01-23-90	SEE COMMENT	03-30-90	First report due 02-01-90; annually then interim repts. every six months
C-9		BLIND PERF. DRUG-TESTING ASSESS.	OST-M	11-15-89	11-23-89	12-01-89	12-29-89	
C-53	(GP)	EXPRESS PKG INDUSTRY REG STUDY	OST-P	06-11-90		07-01-90		
C-16		COST RECOVERY EFFORTS	USCG	01-10-90	01-11-90	01-24-90	02-28-90	
C-16	**	DRUG PLAN IMPACT ON INTERDICTION	USCG	01-10-90	03-20-90	01-24-90	OVERDUE	Final version in OST; fwd. to S-1 (S-10) 04-24-90.
C-16		BUDGET JUSTIFICATIONS OVERHAUL	USCG	SEE COMMENT		SEE COMMENT		Include detailed justification of base and proposed increases/decreases
C-17		REPROGRAMMING PROCEDURES	USCG	SEE COMMENT		SEE COMMENT		Comply when applicable
C-21		DOLPHIN HELICOPTER ENGINE ASSESS	USCG	08-15-90		08-31-90		
C-21		MARINE ENVIRON. PROT. R&D PLAN	USCG	11-15-89		11-30-89	01-04-90	
C-48	**	USE OF DEADLY FORCE	USCG	01-30-90	03-23-90	02-19-90	OVERDUE	Final version in OST; expect to S-1 (S-10) week of 05-07-90.
C-22		SACRAMENTO CA AIRSPACE MGMNT STUDY	FAA	12-01-90R		12-31-90E		Extension letter to Committees on 03-29-90
C-23		G-IV AIRCRAFT LEASE/PURCHASE	FAA	SEE COMMENT		SEE COMMENT		Report no longer required.
C-25		EST AGR @ WOOD CO. WV & ROSWELL NM	FAA	03-19-90R	OVERDUE	03-30-90E	OVERDUE	Draft report expected in OST week of 04-30-90.
C-26		MLS DEMONSTRATION PROGRAM	FAA	SEE COMMENT		SEE COMMENT		Present preliminary results at FY 1991 appropriations hearings
C-28	**	DENVER AIRPORT COST SAVINGS PLANS	FAA	03-28-90	02-26-90	04-15-90	03-06-90	
C-45	**	TRANS DATA COLLECTION RQMNTS	RSPA/OST-P	SEE COMMENT		SEE COMMENT		No due date specified
C-21		MOTOR LIFEBOAT REPLACEMENT	OIG/USCG	SEE COMMENT		SEE COMMENT		Allows limited use of funds without prior certification from the OIG

OVERDUE REPORTS

Mr. **LEHMAN**. Would you provide a separate listing of all reports which are currently outstanding and overdue by at least 30 days?

[The information follows:]

FY 1990 APPROPRIATIONS COMMITTEE ACTION ITEMS
OVER THIRTY DAYS LATE

REPORT PAGE NO.	DESCRIPTION	ADMIN	DUE DATE	COMMENTS
H38	NATIONAL AIRLINE INSPECTIONS	FAA	01-20-90	OST comments ret'd to FAA 04-03-90.
H54	BOZEMAN MT. TOWER ESTABLISHMENT	FAA	03-30-90E	Draft report expected in OST week of 05-07-90
H62/S53	AIRPORT CAPACITY R&D PLAN UPDATE	FAA	12-31-89	OST comments ret'd. to FAA 04-19-90.
H126	PORTLAND METRO NEW STARTS	UMTA	12-20-89	UMTA Administrator met with Sen. Hatfield & Rep. Aucoin on 02-28-90 and agreed to approve Alternatives Analysis for the Hillsboro segment by 04-30-90.
H134/S116	HAZ MAT ENFORCEMENT FIELD STUDY	RSPA	12-20-89	Final OMB changes ret'd. to RSPA 04-25-90.
H136 **	PIPELINE SAFETY RISK/INSP/STAFF	RSPA	03-15-90E	Final version in OST; expect to S-1 (S-10) week of 05-07-90.
S34	FEAS. OF NAS SPEC PROJ OFF	FAA	01-31-90	Report in FAA coordination; expected in OST week of 04-30-90.
S54 **	DOD AVIA SECURITY PROGRAMS STUDY	FAA	03-01-90E	Provide data to Comm. on Terrorism; expect in OST week of 04-30-90
S118	2.5 YR. PIPELINE INSP. CYCLE	RSPA	SEE COMMENT	Was to be included in FY 1991 budget - now included with H-136 rqmt. Final version in OST; expect to S-1 (S-10) week of 05-07-90.
C16 **	DRUG PLAN IMPACT ON INTERDICTION	USCG	01-24-90	Final version in OST; fwd. to S-1 (S-10) 04-24-90.
C48 **	USE OF DEADLY FORCE	USCG	02-19-90	Final version in OST; expect to S-1 (S-10) week of 05-07-90.
C25	EST ASR @ WOOD CO. WV & ROSWELL NM	FAA	03-30-90E	Draft report expected in OST week of 04-30-90.

NATIONAL BICYCLE PROGRAM MANAGER

Mr. LEHMAN. Last year, this Committee recommended that you designate a full-time National Bicycle Program Manager, and that you develop a national plan for the promotion of bicycle ridership and safety. What is the status of your efforts in this regard?

Ms. CHAO. Mr. Chairman, when we were conducting our outreach efforts on the national transportation policy we had a number of bicycling enthusiasts talk about the bike as an alternative mode of transportation. We are very interested in the different modes, and especially because of the health benefits, of bicycling in general. The office—Policy—that has oversight of this has had its funding cut. We would need funding for a staff person, but Policy's funds were cut.

NATIONAL BICYCLE PLAN

Mr. LEHMAN. Specifically, when will this person be onboard in that capacity, and what is your estimated schedule for completing the national plan?

[The information follows:]

The Policy Office is presently working on the development of a national bicycle program and will be coordinating this effort with FHWA, NHTSA and UMTA. The Policy Office completed a review of the Department's staffing levels devoted to bicycle programs during the week of April 2. The review revealed that OST, FHWA, NHTSA, and UMTA, combined, devote the equivalent of a little over one full-time staff person to bicycle programs on an annual basis. Once the national bicycle program is defined, we will make a decision on the appointment of a full-time staff person devoted to a bicycle program.

Although the Department does not presently have a full-time bicycle program manager, the Policy Office maintains oversight of programs administered by FHWA, NHTSA and UMTA relating to bicycle transportation and safety, and serves as a public contact for information on these programs.

SLEEP RESEARCH

Mr. LEHMAN. We also urged you to use the findings of the DOT report on Transportation-Related Sleep Research in planning future programs. What are you planning in this area?

Ms. CHAO. We are doing quite a number of things in this area. Obviously fatigue and sleepiness and their potential impact on the performance of the airline pilots, locomotive engineers, truck and auto drivers is of great concern to us.

We are working at FHWA and ATA on studies of biorhythms. We issued a report in 1989 to the Congress on Transportation-Related Sleep Research.

We considered all the department activities throughout 1988 and all information on the role of fatigue and sleep disorders in transportation. We are continuing with R&D in several modes.

SLEEP RESEARCH PLANS

Mr. LEHMAN. Expand on your answer for the record, and include a discussion of the plans and associated schedules for work being conducted by the modal administrations.

[The information follows:]

The Department's March 1989 report to Congress, "Transportation-Related Sleep Research," describes Departmental activities, through 1988, in all modes on the role of fatigue, sleep disorders and sleepiness in transportation.

As a result of that research, serious concerns have been raised about the effects of fatigue and sleepiness on the performance of airline pilots, locomotive engineers, truck and auto drivers, and others, such as air traffic controllers, who are directly involved with transportation operations. Analyses of accident data suggested that human factors are involved in perhaps as many as 90 percent of all transportation accidents.

Additional sleep-related R&D is being done by the Federal Highway Administration, the Federal Railroad Administration, the United States Coast Guard, the Federal Aviation Administration and the Maritime Administration.

When the work is completed, the DOT R&D Coordinating Council, along with staff in the Policy Office and in the Research and Special Programs Administration, will look at the programs for potential application as a Department-wide model.

The following summarizes additional fatigue-related research now underway in the operating administrations:

Federal Highway Administration (FHWA): FHWA is looking specifically at driver fatigue and inattentiveness. On December 26, 1989, Administrator Larson announced that FHWA was launching a $1.4 million, four-year study of driver fatigue and loss of alertness among commercial vehicle operators. Larson said at that time that the results of the study would be useful in cutting down the number of motor vehicle accidents and helping reach this Administration's objective of reducing highway fatalities.

Federal Aviation Administration (FAA): FAA is working with NASA Ames Research Center on a research program to assess the feasibility of controlled napping in the cockpit as a potential countermeasure for some of the effects of circadian dysrhythmia (jet lag). Under current regulations, pilots are forbidden to nap in the cockpit. In order to allow carries to participate in this research, FAA has provided a waiver, for selected operators, on a limited basis.

The Federal Railroad Administration (FRA): FRA is studying performance degradation in locomotive engineers resulting from lengthy periods of irregular work and sleep cycles. The study design for this effort is being built upon related previous work in other modes of transportation and other industrial settings. Information is being exchanged with the Federal Highway and Maritime Administrations concerning projects they are undertaking.

The Maritime Administration (MARAD) and the United States Coast Guard (USCG): MARAD and the USCG are doing further work on the accident investigation that was outlined in the 1989 report to Congress to verify the validity, effectiveness and user acceptance of the human factor data collection guide prototype and assess the training program for its implementation.

NEW DOT HEADQUARTERS BUILDING

Mr. LEHMAN. On March 29, 1990, the President submitted an amendment to the fiscal year 1991 budget which would provide $50 million for initial funding for a new DOT headquarters building. These funds, which are estimated to total at least $596 million, are requested for the GSA budget. Why do you need a new building, and which modal administrations would be included?

Ms. CHAO. Currently the department's headquarters staffs are housed in three buildings, the Nassif Building, Transpoint, and the FAA Building. There is not enough space obviously, and there is a great deal of benefit, to combining the whole headquarters staff of DOT. There would be easier coordination, greater ease in fostering the inter-modal aspects of transportation we were talking about.

From a numbers point of view it all works out well because the lease payments over 30 years are $972.5 million, against a purchase option of somewhat less—we are not sure about the final number of the purchase option.

We need to work with OMB on that. It is significantly below the lease payments based on present value calculated over 30 years at 8 percent. From an economic point of view the purchase option makes more sense than the lease.

Mr. **LEHMAN**. Should we be doing this when there is continuing talk about removing the Coast Guard and the FAA from the Department of Transportation?

[The information follows:]

There is currently no basis for assuming that the Federal Aviation Administration (FAA) and the United States Coast Guard (USCG) will be separated from the Department of Transportation (DOT). However, even if this were to occur FAA and USCG could still be relocated to the new building.

The General Services Administration (GSA) will control the new building and plans to house other agencies in any space not occupied by DOT. This is part of GSA's overall plan to reduce their lease space inventory by moving agencies from leased to owned space. Both FAA and USCG are in outdated and inadequate office space. In addition, USCG is in a leased building which GSA does not intend to keep in its leased space inventory (the lease expires May 1993).

Therefore, all space in the new building will be utilized whether or not FAA and/or USCG remain in DOT.

BUILDING SITE SELECTION

Mr. **LEHMAN**. Do you like the Union Station site?

Ms. **CHAO**. The Union Station site was considered along with other sites. That is one that we will most likely go forward with. Basically the Department had some consultants and we studied two basic alternatives for the consolidation of our headquarters.

One would be the government-owned air rights with a privately held parcel immediately adjacent. The numbers work out. It is better for us to work with air rights over Union Station.

Mr. **LEHMAN**. When do you expect the site selection to be consummated?

Ms. **CHAO**. I would imagine that the final determination probably will be approved by early 1991.

Mr. **LEHMAN**. Who will have the most to say about the site, you or GSA?

Ms. **CHAO**. They have been very cooperative throughout the process. We don't envision any problems. GSA under their legislative authority will take care of financing the project, awarding contracts for design, supervising construction. We will be more involved in the design, interiors and space plan and lay-out. This arrangement has worked well before.

Mr. **LEHMAN**. This same article said that the chosen site would require the government to secure some rights currently held by AMTRAK and to procure some land held by a private development firm. Is this accurate, and if so, what issues are involved and are they expected to pose problems?

[The information follows:]

The Department of Transportation and the General Services Administration (GSA) have agreed to pursue the use of Government owned air-rights behind Union Station as the site for consolidation for the Department's headquarters. Since the air-rights site alone is not adequate to meet the total site requirements, it will be necessary for GSA to acquire adjoining parcels.

The only anticipated problem we envision may be with the time it will take to conclude successful negotiations with the land holder. In this regard, GSA is requesting authority to begin site acquisition in FY 1991.

DOT BUILDING COST ESTIMATE

Mr. **LEHMAN**. In that article, acting GSA Administrator Richard G. Austin was quoted as saying that any cost estimate for the building at this stage "would be a very wild guess". Only a couple of months later, the Congress receives a request for fiscal year 1991 funding. Is this request based on a "wild guess"?

Ms. CHAO. I can't say what prompted GSA Administrator Austin to say that it was a very wild guess. Things move very quickly on this issue. We have been working with OMB on this. It is a very solidly thought-out number.

I don't know the time for release because I haven't talked with OMB about it. Certainly the fiscal year 1991 amount is needed, irrespective of the planned total. I can't tell what he means.

Mr. LEHMAN. Did GSA make a budget request for this amount?

Ms. MOORE. The OMB sent up a budget amendment to the 1991 budget reflecting an incremental cost of, roughly $50 million this year and the remaining $546 million in 1992 and beyond.

Further work needs to be undertaken as we get closer to understanding the full design of the building. We will be working closely with the GSA and OMB on defining that.

A major statement has been made in the President's budget that funding should be provided for the acquisition of a new DOT headquarters building, and we will be working to develop those numbers in more detail.

We hope we can get your help working with the GSA appropriators to make that happen, Mr. Chairman.

REPORT ON SOFTWARE DEVELOPMENT

Mr. LEHMAN. In a recent report, the IG concluded that DOT is not in compliance with Federal standards for software development. They state that: "As a result, DOT is exposed to the risk that software being developed or modified is not properly documented or thoroughly tested prior to implementation."

This sounds like a review of virtually any of the FAA's software-driven NAS-Plan projects. For the record, please provide a summary of the conclusions of IG report #AD-OT-0-001 and your response and plans.

[The information follows:]

The IG report concluded that "awareness of the DOT policy requiring adherence to FIPS Publications 38 and 101 may be inadequate Departmentwide. Given that permanent policy directives on this subject will not be forthcoming until calendar year 1990 (when draft issuance of the Departmental Information Resource Management Policy Manual (DIRMM is expected), OST should expeditiously reemphasize the requirement to comply with FIPS Publications 38 and 101 and ensure distribution of this reminder to the appropriate program level offices within each organization. This action would help ensure Departmentwide compliance with generally accepted system development/modification standards during the interim period until the DIRMM is finalized."

The Office of Information Resource Management (OIRM) concurred with the IG conclusion and on October 17, 1989, issued "Software Development Standards" via memorandum to all DOT IRM organizations and data centers. The memorandum instructed developers of software applications to comply with the FIPS standards. Attached to the memorandum were copies of FIPS Publications 38 and 101 plus a copy of the June 1989 Index.

DOT DRUG TESTING

Mr. LEHMAN. Can you update us on the status of your efforts to require drug testing in the various transportation modes?

Ms. CHAO. The drug testing is going along fairly well. The department drug testing programs generally became effective December 21 last year for companies with more than 15 employees.

The rules require five types of testing: pre-employment, periodic, post accident, reasonable cause and random. Court decisions have enjoined random testing in the industry. Random post-accident testing has also been enjoined in the highway industry.

All testing has ceased under UMTA where the court found UMTA had no authority to issue the rules.

So we are going ahead monitoring the drug testing program carefully. The Secretary has within his immediate office a special assistant to monitor enforcement and compliance with the drug testing program.

Obviously, we are hopeful for the UMTA legislation, as well.

POST-ACCIDENT TESTING

Mr. LEHMAN. The NTSB told us that they don't understand why there are different timeframes for post-accident drug testing. For example, in the rail industry tests must be conducted within eight hours; whereas in the aviation industry it is 32 hours. Why is there such a difference and are these timeframes acceptable to you?

[The information follows:]

All modal drug regulations except FRA allow up to 32 hours for the collection of a urine specimen for post-accident drug testing. The modal regulations further require employers to collect the specimen as soon as possible after a qualifying accident. However, the 32 hour standard allows for specimen collections in remote or limited access areas where more time is needed to complete the collection.

The FRA regulation on reasonable cause testing, which applies to lesser magnitude train accidents and injuries, only allows up to 8 hours for specimen collection because both breath and urine samples are authorized. Collection of breath samples is much more time sensitive, and experience in the rail mode has shown that this target can be met in most cases. In mandatory post-accident situations, the FRA regulation requires that the specimen be collected as soon as possible after the accident (employees must be held in duty status until samples are obtained). Blood and urine specimens are required. Collections must be made at pre-designated medical facilities, and the average time of collection is 5½ hours after an accident. The post-accident and reasonable cause testing requirements for railroads were effective before publication of the DOT drug testing regulations in 1988.

The timeframes for specimen collection in post-accident and reasonable cause testing are appropriate for the types of specimens required (e.g., blood, breath, and urine) in each of the modes. If there is a decision to expand full toxicological testing to all the modes, then standardization of timeframes would be desirable.

ALCOHOL TESTING

Mr. LEHMAN. The trade press has reported that DOT is unlikely to incorporate alcohol testing into the drug testing regulations because of cost and complexity concerns. Is this accurate, and if so, why?

[The information follows:]

The Department believes that alcohol needs separate treatment in that alcohol is a legal substance and there are different preferred methods of testing. However, the Department currently is reviewing its existing alcohol regulations and exploring alcohol abuse in the industry.

On November 2, 1989, the Department published an Advance Notice of Proposed Rulemaking (ANPRM) under 14 CFR Ch. 1 et al., entitled "Alcohol Abuse Prevention Program for the Transportation Industry." The purpose of the proposed program is to prevent transportation employees from performing sensitive safety and security-related functions while under the influence of alcohol.

The ANPRM solicited public comment on the scope of the problem, the need for additional action and the feasibility and scope of several possible options, if further action is deemed necessary. The comment period was extended from January 31, 1990 to March 9, 1990.

More than 200 comments were received which presently are being reviewed. These comments will be considered in the decision making process regarding the role of regulated alcohol testing in the transportation industry.

On December 1, 1989, the Department of Transportation published its final rule, 49 CFR Part 40, "Procedures for Transportation Workplace Drug Testing Programs". This rule sets forth comprehensive testing procedures applicable to the drug testing programs of the Department of Transportation operating administrations. There was no inclusion of alcohol testing procedures applicable to the drug testing programs of the Department of Transportation operating administrations. There was no inclusion of alcohol testing procedures in this regulatory mandate, for reasons cited above.

EXCESS PROPERTY

Mr. LEHMAN. According to a recent Surveys and Investigations audit, "DOT has some of the more desirable properties that can be used by the private sector, particularly property under FAA and Coast Guard control." In fiscal year 1988, you reported over 2,400 acres of excess property valued at over $60 million. What are your procedures for identifying excess real property and disposing of it?

[The information follows:]

In order to identify excess real property, utilization surveys are conducted in accordance with procedures established by the General Services Administration (GSA). These procedures require that each property in our inventory be surveyed every five years. All survey reports are sent to GSA for review. When a survey results in a conclusion that excess property exists and there is no further program need for it, the property is reported to GSA for disposal. The Department of Transportation does not have the authority to dispose of excess property.

During the period FY 1986–FY 1989, the Department released 61 properties, valued at approximately $134 million, no longer needed for program requirements.

Mr. LEHMAN. You also had $95.8 million in excess personal property at the end of fiscal year 1988. What types of property is this composed of, and what are the procedures for identifying and disposing of it?

[The information follows:]

At the end of fiscal year 1988, DOT operating administrations reported excess personal property on hand originally acquired at a cost of $95.8 million. This end-of-year inventory was composed primarily of automatic data processing equipment, furniture, audio visual equipment, materials handling equipment, aircraft (primarily helicopters), boats, and electronic equipment.

Excess property contained in the end-of-year inventory was identified by the owning administration's property management representatives. Each administration maintains a system to ensure reassignment of their excess property within their administration and, if not needed, they advise other administrations within the Department of their excesses prior to reporting to GSA.

EXCESS PROPERTY BY MODE

For the record, provide a mode-by-mode listing of excess real and personal property reported to GSA for each of the past five years for which data is available.

[The information follows:]

Excess Real Property Reported to GSA for FY 1986 - FY 1989 1/

FISCAL YEAR	NAME/LOCATION	ACRES	ESTIMATED $ VALUE
FEDERAL AVIATION ADMINISTRATION (FAA)			
1986	DAGGETT, CA VOR	149.67	$ 52,000
"	WINTHROP, ME ARSR	3.65	4,000,000
"	FT. SMITH, AR RTR	1.5	39,000
"	WEST MESA, NM MWL	0.0128	1,000
"	SAYVILLE, NY IFST	19.87	4,000,000
"	TONOPAH, NV HOUSING	2.7	31,000
		FY 86 SUBTOTAL	$8,123,000
1987	VORTAC DRYER ELYRIA, OH	86.00	$85,000
"	VORTAC WILMINGTON WILMINGTON, NC	32.30	75,000
"	VORTAC PELLSTON PELLSTON, MI	38.00	15,000
"	IFSR MIAMI, FL	80.00	20,000,000
"	VORTAC PONTIAC WHITE LAKE, MI	65.91	60,000
		FY 87 SUBTOTAL	$20,235,000

1/ Not included are other excess properties which have been returned to the Bureau of Land Management and transferred to other Federal agencies and local governments.

1988	DABS CLEMENTON, NJ	.92	$ 16,000
"	INTERNATIONAL FLIGHT SERVICE RECEIVER BARNEGAT, NJ	300.00	2,500,000
"	INTERNATIONAL FLIGHT SERVICE STATION, TRACEY, CA	200.2	600,000
"	VORTAC, WILMINGTON, NC	20.0	100,000
		FY 88 SUBTOTAL	$3,216,000
1989	LAKE HENRY VORTAC ARCHIBALD, PA	113.9	$94,500
"	DUNN LORING RCAG FAIRFAX, VA	1.0	200,000
"	VORTAC WILMINGTON, NC	25.0	100,000
		FY 89 SUBTOTAL	$394,500
		FAA TOTAL	$31,968,500

UNITED STATES COAST GUARD (USCG)

1986	RACE POINT STATION, PROVINCETOWN, MA	4.8	$100,000
"	SAUGERTIES LT, NY	0.18	10,000
"	SANTA ROSA STATION, FL	8.38	1,000,000
"	STATION FAIRPORT, OH	.2	50,000
"	CAPE BLANCO, OR	15.4	138,000
"	KAUNAKAKAI LT, HI	3.79	250,000
		FY 86 SUBTOTAL	$1,548,000
1987	COMM STATION PUNGO PORTSMOUTH, VA	1.50	$10,000
"	WEST BLVD QTRS CLEVELAND, OH	0.30	96,000
"	STATION ALEXANDRIA, VA	35.20	5,000,000
"	STATION MANASQUAN, NJ	0.40	55,000

1987	MSO HOUSING MORGAN CITY, LA	40.00	$ 400,000
"	LIFEBOAT STATION SABINE, TX	1.54	10,000
"	BASE SAND ISLAND HONOLULU, HI	2.09	3,000,000
"	PT ADAMS REM ST HAMMOND, OR	0.60	12,000
"	BOATHOUSE WILLAPA BAY, WA	0.45	1,000
"	LIGHT PUNTA FIGURAS, PR	1.00	9,000
"	LIFEBOAT STATION WILLAPA BAY, WA	1.93	319,000
"	LORAN ST HOUSING DANA, IN	6.20	30,000
"	STATION FAIRPORT FAIRPORT, OH	0.20	50,000
		FY 87 SUBTOTAL	$8,992,000
1988	HOUSING, 635 W. 3RD ST. ANCHORAGE, AK	0.16	$400,000
"	JUPITER INLET LIGHT STATION JUPITER INLET, FL	25.82	5,000,000
"	TRAINING CENTER PETALUMA, CA	8.56	17,200
"	NORTH ANNEX SUPPORT SEATTLE, WA	5.97	4,558,000
"	LAKE WORTH INLET STATION W. PALM BEACH, FL	4.40	3,000,000
"	CHICAGO MOORINGS CHICAGO, IL	1.00	5,000,000
		FY 88 SUBTOTAL	$17,975,200

1989	SAN LUIS OBISPRO L/S AVILA BEACH, CA	34.7	$ 1,100,000
"	SAN GERONIMO, PR	3.0	12,000,000
"	JUPITER INLET L/S JUPITER, FL	96.0	20,000,000
		FY 89 SUBTOTAL	$33,100,000
		USCG TOTAL	$61,615,200
MARITIME ADMINISTRATION			
1986	WILMINGTON FACILITY WILMINGTON, NC	11.3	$55,000
1987	KEARNY WAREHOUSE KEARNY, NJ	3.8	531,000
		MARAD TOTAL	$586,000
		TOTAL DOT	$94,169,700

Excess Personal Property Reported to GSA for FY 88 - FY 89[1]

MODE	DOLLAR VALUE	
	FY 1989	FY 1988
OST[2]	$ 3,763,235	1,448,879
FAA	10,679,294	[3]
USCG[4]	11,497,477	2,297,773
FHWA	62,301	38,985
NHTSA	0	0
MARAD	76,375	0
FRA	40,869	33,134
UMTA	0	0
SLSDC	0	0
RSPA	0	854,403
TOTAL	$26,119,551	$4,673,174

[1] A specific breakout of excess personal property reported to GSA was not maintained until FY 1988;

[2] OST also processes excess property to GSA from the other administrations in the Washington Headquarters. There was a large increase from FY 1988 to FY 1989 as a result of furniture and equipment being excessed as part of the FAA building modernization program.

[3] The Federal Aviation Administration's automated utilization and disposal system in FY 1988 did not permit a separate breakout of excess personal property reported to GSA.

[4] In FY 1989, the USCG reported a fleet of HH-52 helicopters to GSA which accounts for the increase in FY 1989 over FY 1988.

IG REPORT—MICROCOMPUTER EQUIPMENT CONTROLS

Mr. **LEHMAN**. On March 1st, the IG issued a departmentwide report on your controls over microcomputer equipment. They found that you did not have adequate inventory controls over hardware or software. What are you planning to address their recommendations, and when will they take effect?

Ms. **CHAO**. I tried to tackle this issue when I was in the Maritime Administration. I think that it is very hard because we have all this mishmash of different microcomputer equipment. Sometimes they come in twos, sometimes in fours, or much larger numbers, so that there is a whole array of different equipment that may or may not mesh with each other.

Since the repair contracts have run out in certain cases, some of these don't function any more, but they are not reported back to the appropriate office within the different modes. To keep an adequate control over the inventory as to what is a functioning microcomputer equipment and what is not and try to keep it up to date and within control is very difficult. We probably could do a better job with that.

It takes a lot of time.

VALUE ENGINEERING

Mr. **LEHMAN**. In an audit on DOT's implementation of value engineering (VE), the IG found that the Coast Guard and FAA were not truly realizing the benefits of VE, and that in particular, the FAA has not required that the $25 billion ATC modernization effort use such cost-saving techniques. Given OST's strong support for VE in the past, what can be done to broaden its use?

Ms. **CHAO**. A couple of things. The Assistant Secretary for Administration has been designated to promote VE programs.

The Department has drafted a departmental order which will establish uniformity in reporting requirements to OMB and encourage use of VE. The order will establish a VE council which will: one, review progress and problems; two, recommend policy changes; three, exchange ideas and concepts; and four, approve honorary VE award nominations for those who deserve it.

We are presently exploring with assistance from DOD potential contractors to conduct training in VE as well. It is not new to the Department. FHWA has done it for years. I don't feel comfortable enough with that to say whether we need it, but I will look into it.

YEAR-END SPENDING

Mr. **LEHMAN**. In a June 1989 report, the IG found that many modes were violating the regulations against year-end spending "binges." What are you doing to tighten these controls?

[The information follows:]

The OIG "Report on Audit of Yearend Spending—Departmentwide" reported a higher obligation rate in the fourth quarter for FY 1988 than the average of the previous three quarters. The report only covered procurement activities and was based on a sample of 90 contracts ($245 million) out of a total of 2,852 contracts ($816 million) that were awarded in FY 1988.

The study found that in FY 1988, 40 percent of the Department's obligations occurred in the fourth quarter. While this high rate is not in compliance with OMB policy guidance, there was no conclusion that wasteful year-end spending occurred.

The FY 1988 DOT Appropriations Act was not enacted until December 22, 1987. This action prevented the majority of procurement actions to be processed in the first quarter which slipped many of them later into the year.

The Department has taken several management steps to plan and control the procurement process. This includes an action plan for implementing year-end controls and developing Departmental guidance on year-end procurement requirements.

OBJECT CLASS INCREASES

Mr. LEHMAN. In some categories, the Department's fiscal year 1991 budget requests increases which are far greater than the corresponding requests of other agencies. Let's explore some of those differences.

First, you are requesting a 10 percent increase in communications, utilities, and miscellaneous charges when the governmentwide average is only 1 percent. Why is your request so much greater?

Ms. CHAO. A big part of this is, of course, the personnel compensation and benefits category where the increases are an average of about 7 percent for DOT versus 4 percent governmentwide.

This is due to a very important factor, that is, the higher rate of hiring within the FAA for the air traffic controllers and other personnel.

So FAA is a major component of that increase.

Mr. LEHMAN. Actually we have several categories——

Ms. CHAO. I thought you were asking overall.

Mr. LEHMAN. You have a differential for reproduction, supplies and material, and other services. You might as well package them up and give me a rundown as much as you can now of each of the four different types of differentials, communications, printing, supplies, other services.

Ms. MOORE. You had asked about the communications and utilities. This is an increase of 10 percent versus 17 percent governmentwide.

The greatest portion of this increase is due to the major growth in obligations of the FAA, especially the F&E appropriations connected with the NAS plan.

Capital assets increased an average of 22 percent, versus 4 percent governmentwide, but the greatest portion of this increase is due to major growth and obligations under FAA's F&E appropriations again connected with the NAS plan.

Other services increased 70 percent for DOT versus 9 percent governmentwide. The greatest proportion of this increase is due to our promise to fund a larger share of FAA operations from the trust fund.

Mr. LEHMAN. Did you finish up on the printing and reproduction and supplies and materials——

Ms. CHAO. In the printing area, I know that the Assistant Secretary for Administration has been very concerned about the printing costs; and we, in fact, are relocating that office and downsizing it to a site in Landover, Maryland.

The impact of that transfer will not occur until the end of fiscal year 1991 so that in the transitional stages we still need adequate resources to carry that out.

Given our special projects, for example the implementation stage of the National Transportation Policy, there will still be a requirement for the special reports that the printing office can handle.

Mr. **Lehman**. Supplies and materials—21 percent increase.

Ms. **Chao**. I am actually a fiscal conservative, but I don't count my paper clips very carefully. I don't know about that increase. I will look into it.

[The information follows:]

Over $100 million of the $113 million increase in supplies and materials is shown in the U.S. Coast Guard's Operating Expense appropriation. The increase reflects "service-in-kind" funding provided by DOD in FY 1990 which is proposed to be funded by DOT in FY 1991.

Mr. **Lehman**. Other services, up 70 percent?

Ms. **Moore**. A large part of that——

Mr. **Lehman**. I think you have already covered that.

OBJECT CLASS BY MODE

Mr. **Lehman**. For the record, please provide a breakdown of funding for each of these four object classification categories by modal administration for fiscal years 1990 and 1991.

[The information follows:]

DEPARTMENT OF TRANSPORTATION BREAKOUT OF SELECT OBJECT CLASSES

[By fiscal year, in thousands of dollars]

Modal administration	Comm. util. and misc. chrgs.		Printing and reproduction		Other services		Supplies and materials	
	1990	1991	1990	1991	1990	1991	1990	1991
FHWA	75	78	1,895	1,771	150,540	150,255	7,088	7,256
NHTSA	2,174	2,230	760	760	95,727	106,113	542	565
FRA	1,430	1,566	327	304	96,403	32,515	173	288
UMTA	942	1,012	285	333	14,493	12,311	83	169
FAA	339,324	355,060	11,688	12,425	2,332,491	4,754,358	106,935	114,735
USCG	99,358	130,703	6,508	8,572	495,240	604,701	420,254	523,683
SLSDC	291	303	60	63	12,692	11,895	1,050	1,094
OIG	570	554	108	106	3,771	4,756	175	300
RSPA	3,849	3,951	670	706	99,640	103,690	3,865	4,143
OST	11,752	12,873	1,210	1,358	67,762	83,898	3,057	3,545
Total	459,765	508,330	23,511	26,398	3,368,759	5,864,492	543,222	655,778

Note.—Excludes Maritime Administration.

GSA RENTAL PAYMENTS

Mr. **Lehman**. For the record, please explain what percentage of the $179 million requested for rental payments to GSA departmentwide is estimated for actual rental payments, and what percentage is used for the GSA Federal Building Fund.

[The information follows:]

GSA's Public Building Service does not keep its records in a way that would readily allow such a breakout for any given agency (occupying space provided by GSA). Since many Federal buildings are occupied by multiple agencies, it would require a complex analysis, involving the allocation of costs for each site. Further complicating such an analysis, there are other operational costs besides rent that GSA must cover from the agency rental payments. Based on the GSA FY 1991 rent book, the GSA will bill an average cost of $20.87 per square foot in rental payments for the three DOT Headquarters buildings.

Regarding the $179 million referenced in the question, this amount is taken from the "Object Class Analysis" of the Budget of the U.S. Government, Fiscal Year 1991. The document is prepared by OMB and includes gross obligations, i.e., direct as well as reimbursable obligations. The analysis also includes rental payments associated with proposed ICC sunset legislation. Maritime Administration, and several adjustments made in the budget justifications subsequent to publication of the analysis. The following table reconciles the $179 million amount to the $119 million requested of this Committee for Rental Payments to GSA:

[In thousands of dollars]	*Amount*
From object class analysis	179,395
Reimbursements:	
FHWA from outside DOT	−194
NHTSA from O&R trust to general	−1,234
WCF from DOT modes for Headquarters space	−59,106
Maritime Administration	−4,217
ICC—proposed legislation	−1,313
Adjustment for FAA Operations	+6,164
Adjustment for FRA Railroad Safety	−46
Adjustment for FRA Railroad R&D	−5
Total Rental Payments to GSA	119,444

PERMANENT CHANGE OF STATION COSTS

Mr. LEHMAN. There is a wide variation in budgeted costs for permanent change of station among the various modal administrations. For example, the Coast Guard averages $3,000 per move, NHTSA averages $40,000, and the FAA's costs go as high as $80,000. Why is there so much variation, and what are the departmental guidelines for determining these rates?

Ms. CHAO. The dollar difference is actually for the contract relocation services. Among the modes we don't feel there is that much of a differential. From 1985 through 1988, the IG found that the average contractual transaction per move ranged from $10,000 for the FAA to $13,000 for the Coast Guard and the overall average was $11,000.

The lower FAA average may be attributed to the fact that FAA personnel are being moved to less expensive sites where property values, for example, may be lower.

I have to say, though, that career civil servants these days do not get many fringe benefits. The Federal Government as a whole, I believe, is having a problem attracting good people from the outside given the reduced compensation that federal servants face.

In terms of our DOT alone, if you look at the policy shop and the other OST offices, the average age of employees has been increasing. We have not hired new employees or had management training programs that would bring in new people to fill in after older people.

We don't have very good contingency plans as to what would happen after the older employees retire.

This problem is governmentwide. If we can help out employees in terms of travel, compensation related to moves or making their relocation moves easier, that is a very small benefit for their services to the government.

In particular when we are talking about FAA relocations, there are already salary differentials between the air traffic controllers, and this is one small aspect in which we can ease the transition.

I don't think that overall the cost is that high.

CG/FAA RELOCATION COSTS

Mr. LEHMAN. If the Coast Guard can conduct moves for only $3,000, why does the FAA need between $25,000 and $80,000? Are there ways to control these costs better?

[The information follows:]

The dollar differences for contract relocation services among the modes are not large. For the period from November 1985 through July 1988, the Inspector General found that the average contractual transaction per move ranged from $10,874 for the Federal Aviation Administration (FAA) to $13,840 for the Coast Guard. The overall average was $11,052.

USAGE OF RELOCATION CONTRACT, NOV. 8, 1985 THROUGH JULY 31, 1988

	Number of transactions	Amount billed	Cost per transaction [1]
FAA	3,699	$40,222,648	$10,874
FHWA	239	2,997,445	12,542
USCG	76	1,051,844	13,840
All others	34	467,051	13,737
Total	4,048	$44,738,988	$11,052

[1] Average.

Source: OIG Report AS-OT-9-013 issued July 18, 1989.

For relocation services, the Office of the Secretary issues policy and procedural guidance based on the Federal Travel Regulation requirements. In addition, OST provides oversight on contract development and execution and on all relocation services policy matters.

[CLERK'S NOTE.—Notwithstanding the above, the fiscal year 1991 budget request shows a wide variation in budgeted cost for PCS moves, as stated in the question.]

PCS OVERSIGHT

Mr. LEHMAN. What level of oversight does OST provide for PCS programs of the various administrations?

[The information follows:]

The Department's policies for contractual relocation services have been determined to a significant degree under the guidelines published in the Federal Travel Regulation. The oversight criteria also reflect the relocation experiences of this and other agencies, decisions of the Comptroller General, and advice from the Inspector General.

PCS RELOCATION ASSISTANCE PROGRAM

Mr. LEHMAN. Concerning the PCS Relocations Assistance Program, a recent IG audit concluded that more management attention is needed to control rising costs for this program. They believe that too many employees are using this service, and that $9.3 million could be saved through better controls. Have you seen this report, and do you agree with their findings?

Ms. CHAO. I have not seen this report. I am aware of this problem. We don't condone any abuses within the system.

On the other hand, for employees who are being asked to transfer to another part of the country in which possibly there could be pricing differentials between their housing amidst the problems of packing up their families, moving into a new job, having to worry about selling their house is a major deterrent to work performance that the organization can easily solve through this relocation assistance.

We have limited its use to two months, and I think that is in direct response to the IG.

Mr. LEHMAN. It is a problem.

Ms. CHAO. Yes, it is.

FAA RELOCATION ASSISTANCE

Mr. LEHMAN. Will you implement the recommendations of this report, and will you monitor the FAA to ensure that they are in compliance?

[The information follows:]

We do not agree with the OIG that this assistance is overused.

Under our current contract, and published relocation policies, the Department encourages employees to market their own homes. However, when needed, we provide safety-net relocation services through a variety of cost effective home sale methods. This is in accordance with the recommendations of the Inspector General.

The Department has mandated, in the present contract and its relocation services policies, additional measures for obtaining lower relocation services costs. They are contractor-provided assistance for employees to market their homes themselves and contractor guarantee that ⅓ of the relocation transactions are based on an amended value sale. (Contractor helps employee market the home; employee finds a buyer and brings that buyer to the contractor.)

Our Travel Manual has also been changed to require employees to market their home for a 60-day period (case-by-case exceptions) before being eligible for relocation assistance benefits. Previously, there was no time restriction before an employee used the relocation services.

In addition to amended value sales, we are now permitting assigned sales. In this case, the contractor helps the employee market the home and the employee finds the buyer and executes an agreement with the buyer. The employee assigns ("signs over") the contract to the relocation contractor.

DRUG TESTING PROGRAM

Mr. LEHMAN. What is the role of the medical review officer in your drug testing program?

Ms. CHAO. We are actually looking at this within the department right now. Under the current process, which was put into place without a real analysis as to how the process would work, it is envisioned that the positive and the negative drug results would come from the lab and all be sent to the medical review officer, who would then pass on the negatives to the company charging a fee of probably $15 per negative sample.

Then the medical review officer would look at the positives, and if it is determined to be a verifiable negative will then give it back to the company.

Some companies are bringing up the fact that 98 percent of the test samples based on very preliminary results are negative, and that to charge $15 per negative sample is very expensive.

What is the real value added service of the MRO in simply handing that negative result from a lab to a company? We are looking at that now.

Mr. LEHMAN. Are you thinking about changing any of your rules to accommodate these kinds of costs?

Ms. CHAO. A decision has not been made yet.

OST STAFFING

Mr. LEHMAN. Turning to the justifications, please explain your overall staffing request for fiscal year 1991 and discuss any position changes requested.

Ms. MOORE. Might I intervene for this one?

Our 1991 staffing request calls for 1,022 FTE, which is an increase of only one FTE over the authorized fiscal year 1990 level. Within the salaries and expenses account, we are asking for 621 FTEs, a net decrease of 22 from the fiscal year 1990 enacted level, although nine are attributable to our shift of FTE in the commercial space office outside that category.

We are looking at an increase of 24 FTE in operations and research in the Office of Commercial Space Transportation and we are looking at an increase of eight FTE overall for the working capital fund.

Of course, the increases that we are looking at in 1991 are not as dramatic as they might seem. We looked at this in comparison to last year's request, which was shaved considerably by the committee in a number of areas.

In the working capital fund and our management area, we are trying to play catchup, many activities were deferred out of 1990 into 1991 which puts on extra pressure. We had to absorb the rental cost increase last year, since Congress didn't appropriate increased funds. We have to pay the rental increase that the GSA generated.

Although this committee tried to freeze the rental cost, that decision was reversed in Conference, but the money wasn't restored. The Secretary is committed to looking at ways of streamlining our operations, and at the same time we have laid out a plan for the resources we need to do the job that needs to be done.

MBRC LANGUAGE

Mr. LEHMAN. You are requesting bill language which would allow funds available for the Minority Business Resource Center to be used for business opportunities related to any transportation mode. Why is this language necessary?

[The information follows:]

The FY 1991 language covering MBRC is consistent with appropriation language in recent years. Language is required to reserve these funds for the specific purposes of the Minority Business Resource Center (i.e., to assist minority business enterprise and small and disadvantaged business participation in Departmental procurement and Federal financial assistance activities) as distinguished from other salaries and expenses functions.

CONSOLIDATED SALARIES AND EXPENSES APPROPRIATION

Mr. LEHMAN. You are also proposing, once again, that all appropriation subaccounts be consolidated into a single OST appropriation. In the past, you have argued that subaccounts reduce your management flexibility. Can you cite instances in the past year where this has been a significant problem?

Ms. CHAO. We are the only department except for Agriculture that has that limitation.

Mr. LEHMAN. You are lucky.

Ms. **Chao**. Again, it is a matter of secretarial flexibility. It just enables us to manage our funding better.

Ms. **Moore**. For example, with the variance in what we requested versus what was enacted, and very little flexibility to shift funds between offices, we would tend to shift contract money to cover FTE expenses.

If we had perhaps a little more flexibility across offices, that kind of thing might occur less frequently. There will be less pressure to do that.

We don't want to lose momentum on the research agenda, but at the same time with the demands on our staff——

Mr. **Lehman**. You are saying you have to do things to accommodate this 5 percent limitation that are sort of clumsy?

Ms. **Moore**. Yes. Some of the Mickey Mouse activities that you want to avoid in managing the budget.

I think the combination of the cuts and the 5 percent limit—and we appreciate the fact that the 5 percent is more flexibility than we have had in the past—does constrain us.

I would like to think that the working relationship we have with the committee would make you feel better about lifting that cap.

S&E REIMBURSABLES

Mr. **Lehman**. For the record, provide a breakdown of reimbursables for fiscal year 1990 and estimated for fiscal year 1991.

[The information follows:]

The President's Budget estimated reimbursable activity of $10,200,000 in FY 1990 and $10,900,000 in FY 1991. Commitments to date are projected at $9,297,000 in FY 1990 and $9,139,000 in FY 1991, as shown below.

SALARIES AND EXPENSES, REIMBURSABLES

[In thousands of dollars]

Office and Program	Fiscal year— 1990 estimated	Fiscal year— 1991 estimated
Policy and International Affairs:		
Agency for International Development	230	240
Saudi Arabia	1,238	1,500
National Transportation Policy	526	553
High Speed Surface Transportation	450	
Amtrak Passenger Rail Analysis	300	
Seismic Safety	225	
Subtotal	2,969	2,293
General Counsel: Honors and Inspector General (Attorneys), Subtotal	200	400
Secretarial Offices:		
Industry Drug Rules	710	720
Contract Appeal Hearings	41	50
Subtotal	751	770
Administration:		
Internal Drug Testing	3,965	4,226
Training Programs	412	450
Meter Mail	700	700
Other	300	300
Subtotal	5,377	5,676

SALARIES AND EXPENSES, REIMBURSABLES—Continued

[In thousands of dollars]

Office and Program	Fiscal year— 1990 estimated	1991 estimated
Currently Unplanned	903	1,761
Total—S&E	10,200	10,900

OTHER SERVICES INCREASE

Mr. **LEHMAN**. Why are "other services" up from $9.3 million in fiscal year 1990 to $12 million in fiscal year 1991?

Ms. **CHAO**. For other services, we are requesting $11.9 million. The most significant increase is $2.5 million to initiate the OST office automation project. The goal of this project is to integrate the office automation and data processing technology into OST to improve operating efficiency, and management oversight performance.

This is not a very sexy project, and year after year we are cut back on this. This Secretary is very interested in securing adequate funding for a management information system within the OST.

We have been cut back in past years. We have not been allocated our full funding.

SUPPLIES AND MATERIALS INCREASE

Mr. **LEHMAN**. Why are "supplies and materials" up 38 percent from $225,000 to $311,000?

[The information follows:]

The primary reason for the increase in "Supplies and materials" is an internal adjustment of $60,000 for ADP laser printer supplies previously funded in "other services" in FY 1990.

The remaining $26,000 increase is due to across-the-board inflation and increased requirements for facsimile machine supplies.

GSA RENT

Mr. **LEHMAN**. What is your fiscal year 1991 estimate for GSA rent, and how does that compare to fiscal year 1990? And what rate of increase over fiscal year 1990 is GSA assessing?

[The information follows:]

For OST, including Salaries and Expenses and Working Capital Fund, the FY 1991 estimate for GSA rent is $12,689,000. The GSA rent for FY 1990 is $12,230,000. The rate of increase over FY 1990 is 3.75 percent.

NASSIF BUILDING RENT

Mr. **LEHMAN**. For fiscal year 1991, what rate per square foot will GSA assess DOT for Nassif Building office space compared to the rate they actually have to pay?

[The information follows:]

The FY 1991 rent charged to DOT will be $29.19 per square foot for Nassif Building office space. The GSA lease cost will not be known until lease negotiations with the lessor are complete on June 30, 1990. The current GSA lease cost is $6.78 per square foot.

NASSIF BUILDING LEASE

Mr. LEHMAN. The Nassif building lease expired in January of this year. For how long was it extended, and under what conditions?

[The information follows:]

The Nassif lease expired in January 1990. The lease is in a hold-over status while GSA is negotiating a new lease (expected completion: June 1990). The new lease is expected to be a ten-year fixed term with two five-year options.

SLUC BREAKDOWN

Mr. LEHMAN. Please update for the record the standard level user charges (SLUC) breakdown as shown on page 534 of last year's hearing record by deleting fiscal year 1987 and adding fiscal year 1991.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
GSA RENTAL PAYMENTS
(excludes reimbursements)

MODE/ACCOUNT		FY 1989 Actual		FY 1990 Estimated		FY 1991 Estimated	
		$(000)	SQ. FT. (000)	$(000)	SQ. FT. (000)	$(000)	SQ. FT. (000)
FHWA	Limitation on Gen. Oper. Exp.	11,501	857	13,739	866	14,234	866
	Motor Carrier Safety	2		288	25	295	25
	Subtotal, FHWA	11,503	857	14,027	891	14,529	891
NHTSA	Operations and Research (GF)	2,268	99	2,759	99	2,870	99
	Operations and Research (TF)	1,046	46	1,194	46	1,234	46
	Hiway Traf. Sfty. Gr.(Trns. to O&R)	175	8	175	8	175	8
	Subtotal, NHTSA	3,489	153	4,128	153	4,279	153
FRA	Office of the Administrator	1,181	70	1,415	70	1,415	70
	Railroad Safety *	1,176	64	1,278	68	1,504	70
	Railroad Research and Devel. *	76	4	82	4	87	4
	Subtotal, FRA	2,433	138	2,775	142	3,006	144
UMTA	Administrative Expenses	2,447	111	2,986	110	3,062	110
FAA	Operations *	29,939	2,487	38,011	2,717	45,406	3,133
USCG	Operating Expenses	23,019	1,707	28,746	1,768	31,353	1,856
	Reserve Training	630	150	650	150	680	150
	Research, Devel., Test, & Eval.	444	80	460	80	518	80
	Subtotal, USCG	24,093	1,937	29,856	1,998	32,551	2,086
SLSDC	Operations and Maintenance *	132	6	157	6	163	6
OIG	Salaries and Expenses	1,675	91	2,000	97	2,112	97
RSPA	Research and Special Programs	799	39	1,079	39	1,214	39
	Pipeline Safety	296	15	419	15	433	15
	Subtotal, RSPA	1,095	54	1,498	54	1,647	54
OST	Salaries and Expenses	5,172	232	6,065	188	6,352	188
	Working Capital Fund	5,157	243	6,093	256	6,337	256
	Commission on Av. Sec. & Terrorism	---	---	72	4	---	---
	Subtotal, OST	10,329	475	12,230	448	12,689	444
	TOTAL, DOT (Excl. MARAD and ICC)	87,135	6,309	107,668	6,615	119,444	7,118

* Corrects amounts as shown in President's Budget

OST OFFICE SPACE

Mr. **Lehman**. Please also update for the record the OST office space data found on page 535 of last year's hearing record and add a 1991 column.

[The information follows:]

OST HEADQUARTERS OFFICE SPACE

	Square feet [1]	Average cost per square foot	Office space cost	Square feet per employee [3]
Fiscal year 1987	223,749	$22.73	$5,086,034	168
Fiscal year 1988	220,936	22.91	5,061,644	147
Fiscal year 1989	[2] 208,420	23.37	4,870,092	139
Fiscal year 1990	202,000	26.23	5,298,460	111
Fiscal year 1991	200,780	27.51	5,523,458	112

[1] This excludes supplemental space, i.e., office space used for libraries, mail rooms, copy centers, etc., which are exempt under GSA Temporary Regulation D-73.

[2] The change in square feet from the prior year's report is due to an adjustment by GSA of supplemental space allowed.

[3] Utilization rate computation based on a workstation count as required under GSA FPMR D-73, rather than the number of personnel.

OFFICE SPACE UTILIZATION

Mr. **Lehman**. Please also update the table on office space utilization by mode as shown on page 535 of last year's hearing record.

[The information follows:]

DEPARTMENT OF TRANSPORTATION STATUS OF D-73 WORK SPACE REDUCTIONS GOALS

Administration	Fiscal year 1990 office space (square feet in thousands) [1]	Supplemental space (square feet in thousands) [2]	Office space utilization rate (square feet) per workstation
USCG	1,160	242	106
OIG	84	8	135
FAA	1,588	200	111
UMTA	101	21	135
FHWA	657	129	135
NHTSA	136	27	113
MARAD	126	26	131
RSPA	48	9	125
FRA	118	19	131
OST	312	109	111
SLSDC	5	1	191
Total	4,335	791	115

[1] Includes Department of Transportation (DOT) Headquarters and field space.

[2] Office type space used for libraries, mail rooms, copy centers, conference rooms, reception areas, central files and other non-people support space exempted for space utilization purposes under FPMR, Temporary Regulation D-73.

These figures indicate DOT's space utilization as of March 1990. SLSDC's utilization rate is high because of the Headquarters' executive suite occupied by a relatively low number of personnel comparable to the Heads of the Operating Administrations. SLSDC's utilization rate cannot be further reduced. We have met GSA's FPMR D-73 goal by achieving a Department-wide average utilization rate of 115 square feet per person.

GSA RENTAL LIMITATION

Mr. **Lehman**. Please also provide a table, similar to the one shown on page 537 of last year's hearing record, that shows the potential savings from holding GSA rental costs to 103.5 percent of the fiscal year 1990 level.

[The information follows:]

IMPACT OF LIMITATION ON FY 1991 GSA RENT ESTIMATES

[Dollars in thousands]

Administration	FY 90 level	FY 91 estimated level	FY 91 103.5 percent cap [1]	FY 91 additional space [2]	FY 91 cap plus addit. space	FY 91 103.5 percent cap vs. est.
FHWA	14,027	14,529	14,518		14,518	(11)
NHTSA	4,128	4,279	4,272		4,272	(7)
FRA	2,775	3,006	2,872	45	2,917	(89)
UMTA	2,986	3,062	3,091		3,091	29
FAA	38,011	45,406	39,341	6,487	45,828	422
USCG	29,856	32,551	30,901	1,516	32,417	(134)
SLSDC	157	163	162		162	(1)
OIG	2,000	2,112	2,070		2,070	(42)
RSPA	1,498	1,647	1,550		1,550	(97)
OST	12,230	12,689	12,658	(116)	12,542	(147)
Total [3]	107,668	119,444	111,436	7,932	119,368	(76)

[1] Calculated existing space at 103.5 percent of FY 90 rent rates.

[2] Calculated additional space at FY 91 rent rates.

[3] Excluding MARAD.

TRAVEL COST DATA

Mr. LEHMAN. Please also update the travel cost data shown on page 538 of last year's hearing record by deleting 1986 and adding 1991.

[The information follows:]

SALARIES AND EXPENSES—TRAVEL AND TRANSPORTATION OF PERSONS

[In thousands of dollars]

	Fiscal year—				
	1987 actual	1988 actual	1989 actual	1990 est.	1991 est.
General Counsel	36	73	67	66	66
Policy & International Affairs [1]	121	121	101	149	128
Budget and Programs	7	4	7	8	8
Governmental Affairs	28	18	23	18	18
Administration	44	35	53	55	60
Public Affairs	19	3	18	13	13
Secretarial Offices [2]	255	181	236	274	240
Immediate Office of the Secretary	(121)	(57)	(126)	(145)	(150)
Deputy Secretary	(6)	(15)	(23)	(22)	(23)
Total	510	435	505	583	533

[1] Includes Essential Air Service Office.

[2] Includes Office of Commercial Space Transportation, FY 1987–1990.

OST STAFFING/FUNDING TABLE

Mr. LEHMAN. Please update the OST staffing/funding table found on page 539 of last year's hearing record by deleting 1988 and adding 1991.

[The information follows:]

SALARIES AND EXPENSES
COMPARISON OF PERMANENT POSITIONS AND FUNDING REQUIREMENTS
(Dollars in thousands)

	FY 1989 ACTUAL				FY 1990 ESTIMATE				FY 1991 ESTIMATE			
	Perm. Pos.	Tot. FTE Empl.	Pers. Comp.& Bene.	Other Costs	Perm. Pos.	Tot. FTE Empl.	Pers. Comp.& Bene.	Other Costs	Perm. Pos.	Tot. FTE Empl.	Pers. Comp.& Bene.	Other Costs
General Counsel	102	99	5,592	179	105	100	6,035	85	106	101	6,415	85
Policy & Int'l Affairs	144	141	7,861	163	157	139	8,109	141	175	159	9,893	168
Essential Air Service	30	29	1,697	33	30	29	1,687	40	[19]	[18]	[1,210]	[41] 2/
Budget and Programs	38	37	2,207	35	38	36	2,277	48	38	36	2,342	58
Gov't Affairs	46	46	2,208	25	46	44	2,270	30	44	42	2,225	30
Administration	172	175	9,493	14,942	172	168	9,910	14,790	174	172	10,578	18,910
Public Affairs	29	29	1,409	42	26	25	1,302	48	26	25	1,341	48
Secretarial Offices	102	92	5,078	1,763	108	102	5,582	5,083	90	86	5,135	2,907
Immed. Ofc. of Sec./ Contract Appeals Board	50	48	2,564	191	51	50	2,756	127	51	50	2,996	228
Civil Rights	24	22	1,219	41	24	23	1,279	36	23	21	1,312	41
Small & Disad. Business Util.	16	14	796	1,487	16	16	862	4,880 1/	16	15	827	2,638
Commercial Space Transportation	12	8	499	44	17	13	685	40	--	--	--	-- 3/
TOTAL	663	648	35,545	17,182	682	643	37,172	20,265	653	621	37,929	22,206

1/ Includes $2,241,563 carryover in MBRC

2/ EAS figures are a subset of Policy and International Affairs in FY 1991.

3/ OCST funded under a separate appropriation in FY 1991.

OST STAFFING/EMPLOYMENT TABLE

Mr. LEHMAN. Please also update for the record the OST staffing/employment table found on page 541 of last year's hearing record by deleting 1987 and adding 1991.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
AUTHORIZED POSITIONS AND EMPLOYMENT
FY 1988-1991

	FY 1988 ACTUAL			FY 1989 ACTUAL			FY 1990 ESTIMATE		FY 1991 ESTIMATE	
	AUTH. POS.	EDY EST.	EMPLOYMENT ACTUAL	AUTH. POS.	EDY EST.	EMPLOYMENT ACTUAL	AUTH. POS.	EDY EST.	AUTH. POS.	EDY EST.
SALARIES & EXPENSES										
General Counsel	114	101	97	102	94	88	105	97	106	98
Policy & Intl. Affairs 1/	187	167	166	174	163	163	187	172	175	167
Budget and Programs	40	34	36	38	35	36	38	35	38	35
Governmental Affairs	48	44	46	46	41	37	46	41	44	41
Administration	170	165	160	172	167	168	172	167	174	169
Public Affairs	30	28	27	29	27	23	26	24	26	24
Secretarial Offices	109	92	88	102	89	79	108	95	90	82
Subtotal	698	631	620	663	616	594	682	631	653	616
TRANSPORTATION PLANNING, RESEARCH, & DEVELOPMENT										
Policy & International Affairs	24	20	22	23	17	22	23	17	23	17
Secretarial Offices (OCST)	10	10	8	10	9	6	10	9	0	0
Subtotal	34	30	30	33	26	28	33	26	23	17
OPERATIONS & RESEARCH (OCST) 2/	0	0	0	0	0	0	0	0	26	24
WORKING CAPITAL FUND										
Administration	309	292	300	311	303	306	311	303	319	311
REIMBURSEMENTS										
General Counsel	2	2	2	2	2	2	2	2	2	2
Policy & Intl. Affairs	9	9	5	9	9	9	9	9	9	9
Administration	6	7	7	8	7	8	10	10	11	11
Subtotal	17	18	14	19	18	19	21	21	22	22
GRAND TOTAL-OST	1,058	971	964	1,026	963	947	1,047	981	1,043	990

1/ Includes Essential Air Service Office.

2/ OCST included in S&E Secretarial Offices FY 1988-1990.

DOT STAFFING BREAKDOWN

Mr. LEHMAN. Please also update for the record the DOT staffing breakdown shown on pages 543-546 of last year's hearing by deleting 1988 and adding 1991.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
AUTHORIZED POSITIONS FY 1989 - 1991

	FY 1989		FY 1990		FY 1991
Administration/Appropriation	Request	Approved	Request	Approved	Request
Federal Highway Administration					
Motor Carrier Safety	448	448	633	633	633
Limitation on Gen. Oper. Exp.	2,621	2,621	2,621	2,621	2,621
Federal-Aid Highways	264	232	239	239	239
Allocations/Reimbursements	145	196	189	189	189
Misc. Trust Funds	15	15	15	15	15
subtotal, FHWA	3,493	3,512	3,697	3,697	3,697
Nat'l. Highway Traffic Safety Admin.					
Operations & Research	651	652	656	656	665
Federal Railroad Administration					
Office of the Administrator	190	197	196	196	192
Reimbursements	—	—	—	—	3
Railroad Safety	447	446	486	486	498
Railroad Research & Development	15	15	15	15	16
subtotal	652	658	697	697	709
Urban Mass Transportation Admin.					
Administrative Expenses	400	425	400	400	410
Federal Aviation Administration					
Operations	47,832	47,954	50,414	50,196	51,162
Reimbursements	384	384	500	500	500
Headquarters Administration	530	520	NOTE 1	NOTE 1	NOTE 1
Reimbursements	43	43	NOTE 1	NOTE 1	NOTE 1
Aviation Insurance Revolving Fund	2	2	2	2	2
Facilities & Equipment	1,162	1,162	1,368	1,368	1,743
Reimbursements	53	55	53	53	55
Research Engineering & Development	645	645	645	645	668
Reimbursements	8	6	6	6	6
subtotal, FAA	50,659	50,771	52,988	52,770	54,136

	FY 1989		FY 1990		FY 1991
Administration/Appropriation	Request	Approved	Request	Approved	Request
United States Coast Guard					
Operating Expenses	4,576	4,576	4,632	4,632	4,777
Reimbursements	29	29	29	17	17
Military	36,771	37,085	37,048	37,129	37,548
Reimbursements	299	99	99	131	131
Acquisition, Constr. & Impr.	224	224	230	230	238
Military	330	330	387	387	403
Reserve Training	112	112	112	112	112
Military	599	599	599	599	599
Res. Devel. Test & Evaluation	71	71	71	71	78
Military	42	42	42	42	48
Yard Fund	654	654	654	654	654
Military	24	24	24	24	24
subtotal, USCG	43,731	43,845	43,927	44,028	44,629
Civilian	5,666	5,666	5,728	5,716	5,876
Military	38,065	38,179	38,199	38,312	38,753
St. Lawrence Seaway Devel. Corp.					
SLSDC Fund	184	184	179	179	179
Office of the Inspector General					
Salaries & Expenses	467	467	470	470	470
Research & Special Programs Admin.					
Research & Special Programs	155	156	162	163	171
Pipeline Safety	48	48	51	51	60
Transportation Systems Center	520	520	518	518	515
subtotal, RSPA	723	724	731	732	746
Office of the Secretary					
Salaries & Expenses	687	663	662	682	653
Reimbursements	19	19	14	21	22
Trans. Plng. Res. & Devel.	35	33	33	33	23
Operations & Research, OCST	NOTE 2	NOTE 2	NOTE 2	NOTE 2	26
Working Capital Fund	309	311	311	311	319
subtotal, OST	1,050	1,026	1,020	1,047	1,043
TOTAL, Department of Transportation (Excluding Maritime Administration)	102,010	102,264	104,765	104,676	106,684
Civilian	63,945	64,085	66,566	66,364	67,931
Military	38,065	38,179	38,199	38,312	38,753

NOTE 1 - Included under Operations

NOTE 2 - Included under S&E and TPR&D

DEPARTMENT OF TRANSPORTATION
FULL TIME EQUIVALENT FY 1989 - 1991

Administration/Appropriation	FY 1989 Request	FY 1989 Approved	FY 1990 Request	FY 1990 Approved	FY 1991 Request
Federal Highway Administration					
Motor Carrier Safety	450	450	543	510	602
Limitation on Gen. Oper. Exp.	2,675	2,675	2,675	2,675	2,675
Federal-Aid Highways	481	501	481	501	501
Misc. Trust Funds	16	16	16	16	16
subtotal, FHWA	3,622	3,642	3,715	3,702	3,794
Nat'l. Highway Traffic Safety Admin.					
Operations & Research	654	655	659	659	666
Federal Railroad Administration					
Office of the Administrator	176	183	182	182	185
Railroad Safety	439	411	433	427	474
Railroad Research & Development	15	15	15	15	16
subtotal	630	609	630	624	675
Urban Mass Transportation Admin.					
Administrative Expenses	415	431	415	415	425
Federal Aviation Administration					
Operations	45,184	45,272	47,521	49,025	50,493
Headquarters Administration	550	520	NOTE 1	NOTE 1	NOTE 1
Aviation Insurance Revolving Fund	2	2	2	2	2
Facilities & Equipment	1,266	1,323	1,379	1,379	1,569
Research Engineering & Development	653	646	646	679	704
subtotal, FAA	47,655	47,763	49,548	51,085	52,768

Administration/Appropriation	FY 1989 Request	FY 1989 Approved	FY 1990 Request	FY 1990 Approved	FY 1991 Request
United States Coast Guard					
Operating Expenses	4,494	4,492	4,554	4,543	4,657
Military	37,116	37,230	37,147	37,260	37,355
Acquisition, Constr. & Impr.	224	224	227	227	231
Military	330	330	359	359	395
Reserve Training	104	106	106	106	106
Military	599	599	599	599	599
Res. Devel. Test & Evaluation	70	70	70	70	76
Military	42	42	42	42	48
Yard Fund	632	632	632	632	632
Military	24	24	24	24	24
subtotal, USCG	43,635	43,749	43,760	43,862	44,123
Civilian	5,524	5,524	5,589	5,578	5,702
Military	38,111	38,225	38,171	38,284	38,421
St. Lawrence Seaway Devel. Corp.					
SLSDC Fund	184	184	179	179	179
Office of the Inspector General					
Salaries & Expenses	459	459	462	462	462
Research & Special Programs Admin.					
Research & Special Programs	153	154	157	158	164
Pipeline Safety	48	48	50	50	55
Transportation Systems Center	512	512	510	510	504
subtotal, RSPA	713	714	717	718	723
Office of the Secretary					
Salaries & Expenses	707	665	667	672	651
Trans. Plng. Res. & Devel.	35	32	32	32	22
Operations & Research, OCST	—	—	—	—	24
Working Capital Fund	308	317	317	317	325
subtotal, OST	1,050	1,014	1,016	1,021	1,022
TOTAL, Department of Transportation (Excluding Maritime Administration)	99,017	99,220	101,101	102,727	104,837
Civilian	60,906	60,995	62,930	64,443	66,416
Military	38,111	38,225	38,171	38,284	38,421

NOTE 1 - Included under Operations

RECEPTION AND REPRESENTATION FUNDS

Mr. **Lehman**. You are requesting $50,000 for official reception and representation funds in fiscal year 1991, a large increase over the $30,000 provided for the past three years. Why do you need an increase?

Ms. **Chao**. This increase in R&R funds from $40,000 to $50,000 in 1991 is really necessary to accommodate for inflation over the past few years.

We appreciate the Committee's response last year to raise the ceiling from $30,000 to $40,000. The Department is very active in the international arena these days. The Secretary makes trips abroad and hosts a number of delegations from overseas to talk about aviation security, to foster coordination and technical agreements—with Mexico, for example, trucking being a major issue.

Because of these pressing issues in the Department, there is a great deal of interaction with the international community, and we do need to host such functions in accord with international custom and the dignity of the United States.

This level, I might add, is still considerably low, and below the R&R funding levels of several other Cabinet agencies with similar requirements—Commerce, Justice, and Treasury.

Mr. **Lehman**. You haven't spent all of what you had in 1986. Can you give us what your experience has been for 1988 and 1989—you didn't use all of the funds in 1988. What was your experience in 1989, did you use all the money in 1989?

Ms. **Chao**. 1988 was a different year with a different secretary and a different agenda.

Mr. **Lehman**. Are you on schedule for 1990—you are halfway through 1990.

Ms. **Chao**. Mr. Chairman, we are always very careful with our funding. We spend it where it is necessary.

R&R FUND COMPARISONS

Mr. **Lehman**. For the account, give us some comparisons for the record with you and comparably sized departments.

[The information follows:]

RECEPTION AND REPRESENTATION FUNDS BY DEPARTMENT

[In dollars]

	Fiscal year—		
	1989 enacted	1990 enacted	1991 requested
Agency:			
Agriculture	124,700	124,700	152,700
	[1] (110,000)	[1] (110,000)	[1] (138,000)
Commerce	319,000	319,000	319,000
	[1] (305,000)	[1] (305,000)	[1] (305,000)
Education	7,500	7,500	7,500
Energy	41,000	42,500	42,500
HHS	29,000	37,000	37,000
HUD	4,000	7,000	7,000
Interior	10,000	10,000	10,000
Justice	75,000	30,000	95,000
Labor	7,500	7,500	7,500
State	4,799,000	4,815,000	4,815,000

RECEPTION AND REPRESENTATION FUNDS BY DEPARTMENT—Continued

[In dollars]

	Fiscal year—		
	1989 enacted	1990 enacted	1991 requested
	[1] (4,799,000)	[1] (4,815,000)	[1] (4,815,000)
Transportation	30,000	40,000	50,000
Treasury	235,000	135,000	145,000
	[1] (73,000)	[1] (73,000)	[1] (73,000)
VA	3,000	7,000	7,000

[1] International R&R.

RECEPTION AND REPRESENTATION OBLIGATIONS

Mr. LEHMAN. And also tell us for the record how much you have spent so far in 1990.

Ms. CHAO. About $20,000, but I will give you a complete answer.

[The information follows:]

$20,382 has been obligated through March 31, 1990.

Mr. LEHMAN. For the record, please update the table on reception and representation funds shown on page 547 of last year's hearing record.

[The information follows:]

RECEPTION AND REPRESENTATION FUNDS

Mode	Obligations		
	1988 actual	1989 actual	1990 [1] to date
FHWA	$186	$331	$154
NHTSA	2,020	601	201
FRA	998	439	38
UMTA	492	138	191
FAA	5,400	5,123	3,165
USCG	2,549	2,435	750
MARAD	3,207	2,540	2,116
RSPA	372	201	130
OST	10,055	16,561	13,637
Total DOT	25,279	28,369	20,382

[1] As of March 31.

EAS STAFFING REDUCTIONS

Mr. LEHMAN. You are requesting a reduction of 11 positions, from 30 to 19, in the Essential Air Service program. What specific impact will this have on that program, and what services will be curtailed as a result?

Ms. CHAO. We basically propose to reduce the staff from 29 FTE in fiscal year 1990 to 18 in fiscal year 1991. Our proposal assumes that the program will be phased down and that these staffs will no longer be needed and therefore there shouldn't be any program impact. While the EAS staff has been reduced over the past several years, the remaining staff is very experienced and also capable of maintaining the quality of the EAS program administration.

ADMINISTRATION OFFICE FTE INCREASE

Mr. **Lehman**. Under the Assistant Secretary for Administration, you are requesting 4 new FTEs to increase your level of effort in procurement integrity and internal controls. What issues have you discovered that cause you to require more staffing here?

[The information follows:]

The identification and correction of control deficiencies that place the Government at risk is a high priority of the Administration. The 4 FTE are requested in the following areas:

Two FTE to carry out Federal Manager's Financial Integrity Act responsibilities, i.e., assuring improved training and awareness of significant high risk issues.

One procurement FTE for increased workload associated with new statutes, i.e., drug-free workplace, competitive 8(a) procurement, small business demonstrations, procurement integrity, etc.

One telecommunications FTE to establish internal control and provide oversight of compliance with regulations, i.e., local area networks, standards and data communications, technological changes.

The FY 1990 enacted staffing level for Administration is 168 FTE, down from our actual 1989 level of 175 FTE. The 4 new FTE in FY 1991 are needed to ensure that we carry out ongoing administrative support duties while also pay necessary attention to issues of internal control.

Mr. **Lehman**. Can't this change in emphasis be absorbed within the existing 168 FTEs approved for this office? If not, why not?

[The information follows:]

Since 1985, this Office's FTE level has been reduced by 16 without a corresponding decrease in workload. Despite this reduction in staff, the Office has continued to maintain an acceptable quality of service while also responding to additional requirements from the Congress and central agencies such as OMB and GSA. It is significant to note that DOT was the first agency to develop a comprehensive drug policy and employee testing program. Other accomplishments include developing and implementing the Departmental Accounting and Financial Information System; developing the Governmentwide standard general ledger; realization of significant interest savings through improved credit management and debt collection; implementing and assuming operation and management of a modern, more efficient telephone system; implementing the Thrift Savings Plan and the Federal Employees Retirement System; implementing a Departmental Personnel Management Intern Program; developing and publishing the Governmentwide common rule on grantee administrative support systems; and publishing revised guidance for implementation of the IG Act Amendments of 1988. Further, the Office has initiated a significant agenda for procurement reform, productivity improvement, recruitment and retention of a qualified work force, and relocation to a new consolidated Headquarters complex.

The Office has continued to provide quality service, satisfied new legislative and Governmentwide initiatives, initiated an extensive agenda for administrative system modernization, and developed and implemented plans for improved productivity and program effectiveness. These reduced staffing levels coupled with overall budget reductions have required continued searches for new economies, efficiencies, and expanded use of the latest technologies.

The Office is in the process of implementing a major agenda to modernize and improve the efficiency and effectiveness of administrative support capabilities throughout the Department. These projects will further enhance operational performance and improve timeliness and accuracy of data. These initiatives include: full implementation of the Departmental Accounting and Financial Information System; developing a Departmental Procurement Management System; developing an Executive Information System; expanding Local Area Networks and other telecommunications enhancements; consolidating Uniform Personnel and Payroll Systems; implementing Optical Disk Technology; standardizing OST office automation and mainframe computer acquisition; developing and implementing initiatives on environment and energy conservation; providing increased emphasis in identification and correction of material weaknesses developing an Automated Time and Attendance System; and automating the Departmental Directives System.

Despite these accomplishments and plans, tight staffing levels have caused delays in certain programs, including an immediate and continuing need to revise Departmental guidance in most of the administrative areas to assure consistency with the latest policy guidance and laws. For example, while we have accomplished a major revision to our procurement guidance and published a consolidated Departmental Acquisition Regulation, further revisions are needed for consistency with the latest changes to the Federal Acquisition Regulation and other procurement guidance. Additionally, rapidly advancing technology, introduction of new standards, and the Computer Security Act of 1987, have created the need for major revision of our Automatic Data Processing and IRM directives. In our current effort to revise this guidance and to accommodate future timely revisions, a new structure is being used through issuance of a Departmental IRM Manual. Similar revisions are needed in property, telecommunications, records management, financial and personnel management guidance.

Steps are being taken to improve evaluation functions by those offices having a policy and oversight responsibility. Staffing reductions coupled with the loss of an internal review capability with the establishment of the Inspector General decreased management's ability to assess program performance in certain areas.

In summary, current staffing levels are heavily taxing our work force's ability to perform required tasks. The requested staffing increase would allow the Department to devote more resources to internal control activities, without further eroding its capability in other areas.

Mr. **Lehman**. For the record, provide a detailed explanation of why you need additional FTEs for satisfying congressional requirements and for telecommunications needs, as stated on page 28. In particular, please address why such a shift in priorities could not be handled by a reallocation of workload priorities within the existing FTE allocation or through contracting out.

[The information follows:]

The telecommunications position will be used for internal compliance monitoring and meeting external reporting requirements in the telecommunications area. As discussed on page 28, this person will be used for implementing one portion, particularly in the area of data communications, of several new program areas addressing recent legislation. There are too many new (and neglected old) programs for which the Telecommunication Division is responsible, to make it feasible to simply reallocate existing telecommunications personnel. Several reviews, such as a recent GAO study of the Department, have faulted DOT for lack of oversight. This is attributed to lack of resources which is unacceptable as programs and procurements become larger and more complex.

P.L. 101-136 requires mandatory use of FTS 2000, for both voice and data services. Due to a lack of resources, DOT is not in compliance with current data communications requirements. The requested individual will provide oversight to ensure that the Department becomes compliant with the law and regulations as FTS 2000 is implemented. It should be noted that DOT is substantially larger than all other Federal agencies in dollar expenditures for telecommunications, when the three military services are listed individually.

In recent years, the Telecommunications Division has made increasing use of contractual personnel and recognizes the advantages gained by this alternative. On page 30, $350K is requested for contractual personnel; however, their use is not appropriate for inherently governmental functions. Areas inappropriate for contractual personnel include: oversight and review of programs and regulations, internal contracting, review of modal contracts, and implementation of GSA regulations. These are the types of activities which will be performed by the requested employee. The noncontractual personnel in the Telecommunications Division also do these types of functions, so there is little room for reassignment of FTE or maneuvering of existing personnel into a position such as the one requested. Unfortunately, if the requested FTE is disallowed, the Telecommunications Division will continue to fall behind in implementing required programs and legislation, and keeping DOT abreast of new technology.

OFFICE AUTOMATION

Mr. **Lehman**. Under "other costs," you are requesting an increase of $4.1 million. Most of this, $2.5 million, is for office automation. What exactly are your office automation plans and why can't it be phased in over a longer time period?

Ms. CHAO. Office automation is not a very glamorous project, but any well-managed office in 1990 needs greater coordination and performance from the computer systems, not just a mishmash of different machines that are lying around. Our plan for automation is to have an integrated automated capability for all the staff members within OST. Currently only 36 percent of OST staff have this capability.

The Secretary is serious about holding down the number of people within the Office of the Secretary. To do so, more and more people will have to help with a lot of different things. We must give them tools they need for adequate word processing—we have staffers that are lining up to use the word processors. They have something on paper, but they have to wait in line. There are not enough secretaries to go around, so they have to wait in line to type it themselves. I think the staff is performing this very well.

SPECIAL PERSONAL SERVICES PAYMENTS

Mr. LEHMAN. I thought they were lining up at the coffee machine.

For the record, please update the chart on special personal services payments as shown on pages 550 and 551 of last year's hearing record by updating 1989 and 1990 data and adding a column for 1991.

[The information follows:]

SPECIAL PERSONAL SERVICES PAYMENTS

[In thousands of dollars]

	Fiscal year—		
	1989 actual	1990 estimate [1]	1991 estimate [2]
Office of the Secretary (subsistence specialists):			
Hill, J	22.6		
Proper, D	31.6		
Watson, K	22.6	20.0	
Keywood, W	22.4	20.0	
Williams, D	18.4		
Benfield, D		33.9	
DeWitt, R		24.3	
Bean, D		17.4	
Total	117.6	115.6	138

[1] Estimated billing in FY 1990 based on personnel assignments.

[2] Distribution of total estimate by individual cannot be projected due to uncertainties concerning future personnel assignments.

"OTHER SERVICES" INCREASES

Mr. LEHMAN. Please also update the "other services" comparative data found on pages 553 and 554 of last year's hearing record by deleting 1988 and adding 1991.

[The information follows:]

COMPARISON OF OTHER SERVICES-SALARIES AND EXPENSES
FISCAL YEARS 1989-1991
(in thousands of dollars)

	1989 Actual	1990 Estimate	1991 Estimate
General Counsel:			
Litigation, Enforcement, Public Counsel and Contract Services	112	19	19
Policy and International Affairs: 1/			
Translation Services	10	6	6
Interpreter Services	10	8	8
Technical Report	5	2	2
Time-Share Computer Support	60	14	22
Transcripts	5	1	1
Other Services	5	1	1
Total	95	32	40
Budget and Programs:	0	0	0
Governmental Affairs:			
Support Services	2	12	12
Administration:			
Trng/Exec Development	167	75	230
ADP Services	3,105	2,613	2,758
Maintenance and Repair	74	56	58
Building Alterations	137	25	29
USCG Clinic	64	74	77
Payments to WCF	2,267	2,178	2,571
Security Investigations	72	60	60
Miscellaneous Contracts	240	186	236
Tariff Filing System	350	—	—
Transcripts	57	60	75
Office Automation Project	—	—	2,540
Environmental Program	100	—	150
Telecommunications	—	—	350
Total	6,633	5,327	9,134
Public Affairs:			
Special Events (TV/Radio News)	9	5	5
Distribution of Materials	15	30	30
Total	24	35	35

1/ Includes Essential Air Service Office

	1989 Actual	1990 Estimate 1/	1991 Estimate
Secretarial Offices:			
International/National Transportation Conferences	*	*	1
Stenographic (Certified Court Reporters)	37	35	20
Nat'l Conv. of Civil Rights Advocacy Groups	6	4	5
Special Civil Rights Trng/Staff Dev. & Programs	5	3	5
Communications/Administrative Support	4	23	27
National Info. Clearinghouse/MBRC	—	451	475
Transportation-related Short-term Loan Program/MBRC (Admin. cost)	363	300	350
Fujitsu Maintenance Agreement/MBRC	5	4	—
Women-Owned Business Enterprise Initiative	184	300	—
Conference Support	16	50	25
Historically Black Colleges and Universities/MBRC	539	900	800
Hispanic Assoc. of Colleges and Universities/MBRC	—	400	300
Bank Review/MBRC	8	59	20
Data Base Analysis	75	70	50
Research Projects/MBRC	—	350	250
Court Reporting (MBRC)	—	1	1
Outreach/Public Relations	—	1,500	200
Special Program Initiatives	265	457	129
Legal Fees	13	1	2
EEO Investigations	9	5	7
Total	1,529	4,913 2/	2,667

* Less than $500

1/ FY 1990 column has been adjusted to reflect current FY 1990 Financial Plan.

2/ Includes MBRC carryover of $2.242 million

TRAINING COSTS

Mr. **Lehman**. Training costs for the past three years have been as follows: fiscal year 1988, $60,000; fiscal year 1989, $125,000; fiscal year 1990, $125,000. In the fiscal year 1991 budget, you are requesting a $155,000 increase, which would represent an expenditure of $280,000. How can you justify such a large increase in a tight budget year?

Ms. **Chao**. Again this is part of our overall emphasis on good management within the department. We really do put a great deal of stock in managing and training people. As I said, we don't have a young work force these days. The work force within the department is growing older and we don't have the new influx of young people to take their place and to assume the work after them.

For example, I will give you a statistic. Nearly 60 non-FAA SES members are projected to retire in the next five years, not counting the possible impact of further regulations or rules about ethics laws. The last ethics law triggered a host of departures by senior executives. We need a department-sponsored succession planning program or management development program. Even though we say we care about management, management is not an art people do spontaneously. They need to be trained and retrained.

Mr. **Lehman**. You have old pros but you have to retrain them all the time.

Ms. **Chao**. If you look at the private sector you will see tremendous resources devoted to periodic training. Citibank and Bank America, they have aggressive training programs for officers and staffers throughout the year.

SES BONUS AWARDS

Mr. **Lehman**. Please also update for the record the data on SES bonus awards, as shown on pages 557-560 of last year's hearing record, by deleting 1985 and adding 1990.

[The information follows:]

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEARS 1986-1990

OFFICE OF THE SECRETARY

Award Recipient	1986	1987	1988	1989	1990
Melissa Allen Deputy Assistant Secretary for Administration		7,300	14,680	13,150	4,550
Barnett Anceleitz Senior Procurement Advisor	3,920				
Joseph Canny Director, Office of Transportation Regulatory Affairs	3,920	4,750	4,125	4,680	6,650
John Coleman Director, Office of Aviation Analysis	4,020	4,900	4,250	9,225	4,550
John Collins Assistant General Counsel for Legislation (Has left the Department)	5,980	13,740			
Katherine E. Collins Director of Budget					13,300
Warren Dean Assistant General Counsel for International Law (Has left the Department)	9,420		4,125		
Neil Eisner Assistant General Counsel for Regulations and Enforcement				8,975	4,410
William FitzGerald Deputy Assistant Secretary for Budget and Programs (Retired)	9,660	13,350	13,600	13,150	

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEARS 1986-1990

OFFICE OF THE SECRETARY (cont'd)

Award Recipient	1986	1987	1988	1989	1990
Vance Fort Deputy Assistant Secretary for Policy and International Affairs (Has left the Department.)	12,160				
Paul Gretch Director, Office of International Aviation	5,980	4,750	4,125	3,900	4,410
Thomas Herlihy Assistant General Counsel for Legislation				3,900	4,410
Donald Horn Assistant General Counsel for International Law					4,410
William Hudson Departmental Director of Civil Rights	6,140	7,000	9,825	6,275	6,860
Raymond Karam Deputy Assistant Secretary for Budget and Programs (Has left the Department.)	12,480				
Ronald Keefer Director, Office of Administrative Services and Property Management				3,900	
Rosalind Knapp Deputy General Counsel	9,660	13,350	13,600	15,100	
Arnold Levine Director, Office of International Transportation and Trade					4,410

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEARS 1986-1990

OFFICE OF THE SECRETARY (cont'd)

Award Recipient	1986	1987	1988	1989	1990
Alfonso Linhares Director, Office of Technology and Planning Assistance (Has left OST)	5,980				
Marilyn S. Marton Director, Office of Acquisition and Grant Management			5,900	3,825	4,410
George McDonald Director, Office of Programs and Evaluation		9,750	8,425	8,425	9,520
Carolina Mederos Deputy Assistant Secretary for Safety	13,740	13,740	4,125	8,325	
Patrick Murphy Deputy Assistant Secretary for Policy and Program Development	3,920	4,750	4,125	13,150	4,550
Edward Oppler Deputy Director for International Aviation Relations	3,920	4,750			
Angelo Picillo Deputy Director, Office of Administrative Services and Property Management		4,750		3,900	
Samuel Podberesky Assistant General Counsel for Aviation Enforcement and Proceedings		4,750	14,680	8,975	4,410
Jon Seymour Assistant Secretary for Administration	12,800	11,500	13,975	13,500	16,140

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEARS 1986-1990

OFFICE OF THE SECRETARY (cont'd)

Award Recipient	1986	1987	1988	1989	1990
Jeffrey Shane Deputy Assistant Secretary for Policy and Program Development (left OST on 10/25/85 and returned as a PAS on 6/28/89)	4,020				
Joyce Shelton Director, Office of Financial Management	5,340		3,950	3,900	
Glenda Tate Director, Office of Management Planning				3,825	6,650
E. Kimmel Taylor Director, Office of DAFIS Development and Implementation					4,410
John Turner Director, Office of Information Resource Management (Has left OST)		6,350			
Donald Trilling Deputy Director, Office of Transportation Regulatory Affairs	9,420	6,850		3,900	6,650
Richard Walsh Director, Office of Economics	3,920	4,750			
Robert J. Woods Director, Office of Information Resource Management					4,410
Diana Zeidel Director of Personnel	5,550	6,350	3,950		15,280

OST POLITICAL APPOINTEES

Mr. LEHMAN. Please also update for the record the listing of OST political appointees on board, as shown on pages 562–567 of last year's hearing record.

[The information follows:]

PRESIDENTIAL, SENIOR EXECUTIVE SERVICE NONCAREER, AND SCHEDULE C APPOINTEES

AS OF MARCH 31, 1990

PRESIDENTIAL APPOINTEES

OFFICE OF THE SECRETARY

The Secretary
Washington, D.C.
$107,300 per annum

The Deputy Secretary
Washington, D.C.
$96,600 per annum

General Counsel
Washington, D.C.
$83,600 per annum

Assistant Secretary for Policy and International Affairs
Washington, D.C.
$83,600 per annum

Assistant Secretary for Budget and Programs
Washington, D.C.
$83,600 per annum

Assistant Secretary for Governmental Affairs
Washington, D.C.
$83,600 per annum

Assistant Secretary for Public Affairs
Washington, D.C.
$83,600 per annum

NONCAREER SES

OFFICE OF THE SECRETARY

Immediate Office of the Secretary

Chief of Staff
Washington, D.C.
$83,600 per annum

Director, Executive Secretariat
Washington, D.C.
$77,600 per annum

Director, Office of Commercial Space Transportation
Washington, D.C.
$79,200 per annum

Director, Office of Small and Disadvantaged Business Utilization
Washington, D.C.
$71,200 per annum

Counselor to the Secretary
Washington, D.C.
$83,600 per annum

Special Assistant to the Secretary
for Aviation Policy
Washington, D.C.
$83,600

Special Assistant to the Secretary
for Strategic Planning
Washington, D.C.
$74,400 per annum

Special Assistant to the Secretary
and Director for Drug Enforcement and Program Compliance
Washington, D.C.
$81,400 per annum

Special Assistant to the Secretary
for Personnel and Organization Management
Washington, D.C.
$71,200 per annum

Office of the General Counsel

Associate General Counsel
Washington, D.C.
$79,200 per annum

Office of the Assistant Secretary for Governmental Affairs

Director, Office of Congressional Affairs
Washington, D.C.
$71,200 per annum

Office of the Assistant Secretary for Public Affairs

Deputy Assistant Secretary (Management)
Washington, D.C.
$79,200 per annum

Office of the Assistant Secretary for Policy and International Affairs

Deputy Assistant Secretary
Washington, D.C.
$71,200 per annum

SCHEDULE C POSITIONS

OFFICE OF THE SECRETARY

Immediate Office of the Secretary

Special Assistant for Special Projects
Washington, D.C.
$59,216 per annum

Staff Assistant
Washington, D.C.
$52,020 per annum

Staff Assistant
Washington, D.C.
$50,342 per annum

Staff Assistant
Washington, D.C.
$35,825 per annum

Staff Assistant
Washington, D.C.
$24,705 per annum

Staff Assistant
Washington, D.C.
$35,825 per annum

Motor Vehicle Operator
Washington, D.C.
$28,404 per annum

Office of the Deputy Secretary

Staff Assistant
Washington, D.C.
$45,441 per annum

Special Assistant
Washington, D.C.
$42,601 per annum

Staff Assistant
Washington, D.C.
$20,195 per annum

Staff Assistant
Washington, D.C.
$25,529 per annum

Staff Assistant
Washington, D.C.
$20,195 per annum

Staff Assistant
Washington, D.C.
$24,705 per annum

Office of the Executive Secretariat

Deputy Executive Secretary for Management
Washington, D.C.
$69,086 per annum

Deputy Executive Secretary for Policy
Washington, D.C.
$52,020 per annum

Office of Small and Disadvantaged Business Utilization

Special Assistant
Washington, D.C.
$35,825 per annum

Special Assistant for Minority Affairs
Washington, D.C.
$44,021 per annum

Staff Assistant
Washington, D.C.
$25,529 per annum

Office of the Assistant Secretary for Policy and International Affairs

Special Assistant
Washington, D.C.
$37,019 per annum

Special Assistant
Washington, D.C.
$37,019 per annum

Office of the Assistant Secretary for Public Affairs

Special Assistant
Washington, D.C.
$38,213 per annum

Special Assistant
Washington, D.C.
$25,529 per annum

Staff Assistant
Washington, D.C.
$28,113 per annum

Special Assistant
Washington, D.C.
$44,021 per annum

Director, Office of Media Relations and Special Projects
Washington, D.C.
$61,190 per annum

Special Assistant
Washington, D.C.
$59,216 per annum

Office of the Assistant Secretary for Governmental Affairs

Staff Assistant
Washington, D.C.
$42,601 per annum

Staff Assistant
Washington, D.C.
$37,019 per annum

Staff Assistant
Washington, D.C.
37,019 per annum

Staff Assistant
Washington, D.C.
$30,887 per annum

Office of Congressional Affairs

Congressional Liaison Officer
Washington, D.C.
$53,698 per annum

Congressional Liaison Officer
Washington, D.C.
$44,021 per annum

Congressional Liaison Officer
Washington, D.C.
$37,012 per annum

Office of Intergovernmental and Industry Affairs

Director, Office of Intergovernmental and Industry Affairs
Washington, D.C.
$59,216 per annum

Deputy Director (Intergovernmental)
Washington, D.C.
$61,190 per annum

Deputy Director for Industry Affairs
Washington, D.C.
$52,020 per annum

Office of the Assistant Secretary for Budget and Programs

Special Assistant
Washington, D.C.
$44,021 per annum

Office of the General Counsel

Staff Assistant
Washington, D.C.
$35,825 per annum

DOT POLITICAL APPOINTEES

Mr. LEHMAN. Please also update the breakdown of DOT political appointees for fiscal year 1990, showing the title and salary of each position, similar to the data shown on pages 569–572 of last year's hearing record.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
PRESIDENTIAL (PAS), NONCAREER SENIOR EXECUTIVE SERVICE (NC), AND SCHEDULE C (C) APPOINTEES
FY 1990

As of March 31, 1990

OFFICE OF THE SECRETARY

Title	Salary
The Secretary	$107,300
Chief of Staff	$ 83,600
Counselor to the Secretary	$ 83,600
Special Assistant for Strategic Planning	$ 74,400
Special Assistant for Aviation Policy	$ 83,600
Special Assistant and Director for Drug Enforcement and Program Compliance	$ 81,400
Special Assistant for Personnel and Organization Management	$ 71,200
Special Assistant for Special Projects	$ 59,216
Staff Assistant to the Secretary	$ 52,020
Staff Assistant to the Secretary	$ 35,825
Staff Assistant to the Secretary	$ 24,705
Staff Assistant to the Secretary	$ 50,342
Staff Assistant to the Secretary	$ 35,825
Motor Vehicle Operator	$ 28,404
The Deputy Secretary	$ 96,600
Staff Assistant to the Deputy Secretary	$ 45,441
Special Assistant to the Director for Drug Enforcement and Program Compliance	$ 42,601
Staff Assistant	$ 25,529
Staff Assistant	$ 20,195
Staff Assistant	$ 24,705
Staff Assistant	$ 20,195
Director, Executive Secretariat	$ 77,600
Deputy Executive Secretary for Management	$ 69,086
Deputy Executive Secretary for Policy	$ 52,020
Director, Office of Small and Disadvantaged Business Utilization	$ 71,200
Special Assistant for Minority Affairs	$ 44,021
Special Assistant to the Director	$ 35,825
Staff Assistant to the Director	$ 25,529
Director, Office of Commercial Space Transportation	$ 79,200
Assistant Secretary for Public Affairs	$ 83,600
Deputy Assistant Secretary (Management)	$ 79,200
Special Assistant to the Assistant Secretary	$ 44,021
Special Assistant to the Assistant Secretary	$ 38,213
Special Assistant to the Assistant Secretary	$ 25,529
Staff Assistant to the Assistant Secretary	$ 28,113

Director, Office of Media Relations and Special Projects	$ 61,190
Special Assistant to the Director	$ 59,216
Assistant Secretary for Budget and Programs	$ 83,600
Special Assistant to the Assistant Secretary	$ 44,021
General Counsel	$ 83,600
Associate General Counsel	$ 79,200
Staff Assistant to the General Counsel	$ 35,825
Assistant Secretary for Governmental Affairs	$ 83,600
Staff Assistant to the Assistant Secretary	$ 37,019
Staff Assistant to the Assistant Secretary	$ 37,019
Staff Assistant to the Assistant Secretary	$ 30,887
Staff Assistant to the Assistant Secretary	$ 42,601
Director, Office Of Congressional Affairs	$ 71,200
Congressional Liaison Officer	$ 53,698
Congressional Liaison Officer	$ 44,021
Congressional Liaison Officer	$ 37,012
Director, Office of Intergovernmental and Industry Affairs	$ 59,216
Deputy Director (Intergovernmental)	$ 61,190
Deputy Director for Industry Affairs	$ 52,020
Assistant Secretary for Policy and International Affairs	$ 83,600
Deputy Assistant Secretary	$ 71,200
Special Assistant to the Assistant Secretary	$ 37,019
Special Assistant to the Assistant Secretary	$ 37,019

FEDERAL AVIATION ADMINISTRATION

Administrator	$ 96,600
Deputy Administrator	$ 83,600
Special Assistant to the Administrator	$ 63,164
Staff Assistant to the Administrator	$ 27,206
Chief Counsel	$ 77,600
Assistant Administrator for Public Affairs	$ 77,600
Special Assistant to the Assistant Administrator	$ 61,190
Staff Assistant to the Assistant Administrator	$ 29,891
Assistant Administrator for Government and Industry Affairs	$ 77,600
Special Assistant for Government and Industry Affairs	$ 61,190
Congressional Liaison Officer	$ 50,342
Associate Administrator for Policy, Planning, and International Aviation	$ 81,400
Staff Assistant to the Associate Administrator	$ 37,019
Associate Administrator for Airports	$ 81,400

FEDERAL HIGHWAY ADMINISTRATION

Administrator	$ 96,600
Deputy Administrator	$ 83,600
Special Assistant to the Administrator	$ 65,138
Chief Counsel	$ 81,400
Director of External Communications	$ 81,400
Special Assistant to the Director	$ 48,281
Special Assistant to the Director	$ 35,825
Staff Assistant to the Director	$ 24,705
Associate Administrator for Policy	$ 81,400
Associate Administrator for Motor Carriers	$ 81,400

FEDERAL RAILROAD ADMINISTRATION

Administrator	$ 89,000
Staff Assistant to the Administrator	$ 24,705
Chief of Staff	$ 73,692
Public Affairs Officer	$ 48,992
Associate Administrator for Policy	$ 74,400

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Administrator	$ 89,000
Deputy Administrator	$ 83,600
Special Assistant to the Administrator	$ 44,021
Special Assistant to the Administrator	$ 37,019
Special Assistant to the Director, Office of Public Affairs	$ 48,992
Director for Intergovernmental Affairs	$ 68,100
Chief, Consumer Affairs Division	$ 42,601

URBAN MASS TRANSPORTATION ADMINISTRATION

Administrator	$ 89,000
Deputy Administrator	$ 79,200
Special Assistant to the Administrator	$ 65,138
Staff Assistant to the Deputy Administrator	$ 29,891
Associate Administrator for Budget and Policy	$ 71,200
Chief Counsel	$ 81,400
Area Director, Eastern Area, New York	$ 77,600

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Administrator	$ 83,600
Special Assistant to the Administrator	$ 52,020
Special Assistant to the Administrator	$ 35,825

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Administrator	$ 83,600
Deputy Administrator	$ 77,600
Special Assistant to the Administrator	$ 61,190

MARITIME ADMINISTRATION

Administrator	$ 89,000
Deputy Administrator	$ 83,600
Special Assistant to the Administrator	$ 74,400
Director of External Affairs	$ 71,200

DOT POLITICAL APPOINTEES

Mr. LEHMAN. Please also update the listing by DOT operating administration of DOT political appointees, as shown on pages 575-579 of last year's hearing record, by updating 1989 and adding 1990.

[The information follows:]

OFFICE OF THE SECRETARY

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	6	22	28
1981	6	14	44
1982	6	15	50
1983	4	22	46
1984	7	21	52
1985	7	19	49
1986	8	18	41
1987	7	16	35
1988	7	20	37
1989	7	11	40
1990 (3/31/90)	7	13	38

OFFICE OF THE INSPECTOR GENERAL

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	0	1
1981	1	0	1
1982	1	0	1
1983	1	0	1
1984	1	0	1
1985	1	0	1
1986	0	0	1
1987	1	0	1
1988	1	0	0
1989	1	0	0
1990 (3/31/90)	0	0	0

UNITED STATES COAST GUARD

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	0	0	0
1981	0	0	0
1982	0	0	0
1983	0	0	0
1984	0	0	0
1985	0	0	0
1986	0	0	0
1987	0	0	0
1988	0	0	0
1989	0	0	0
1990 (3/31/90)	0	0	0

FEDERAL AVIATION ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	2	5	6
1981	2	4	3
1982	2	4	4
1983	2	5	7
1984	1	5	7
1985	2	5	9
1986	1	6	6
1987	1	5	4
1988	2	4	7
1989	1	2	5
1990 (3/31/90)	2	5	7

FEDERAL HIGHWAY ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	2	4
1981	1	2	4
1982	1	4	5
1983	1	4	7
1984	1	3	5
1985	1	4	6
1986	1	5	4
1987	1	5	5
1988	1	4	4
1989	1	3	3
1990 (3/31/90)	1	5	4

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	1	4
1981	1	2	4
1982	1	1	8
1983	0	1	11
1984	1	1	7
1985	1	2	11
1986	1	3	9
1987	1	3	6
1988	1	3	6
1989	0	1	6
1990 (3/31/90)	1	1	5

FEDERAL RAILROAD ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	2	4
1981	1	2	3
1982	1	3	3
1983	0	4	4
1984	1	4	5
1985	1	3	4
1986	1	3	4
1987	1	2	2
1988	1	1	3
1989	1	2	2
1990 (3/31/90)	1	1	3

URBAN MASS TRANSPORTATION ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	3	3
1981	1	4	4
1982	1	4	8
1983	0	4	5
1984	1	3	7
1985	1	4	6
1986	1	3	8
1987	0	3	6
1988	1	4	5
1989	0	4	3
1990 (3/31/90)	1	4	2

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	0	2
1981	1	0	2
1982	1	0	2
1983	0	0	2
1984	1	0	4
1985	1	1	5
1986	1	1	4
1987	1	1	4
1988	1	1	3
1989	1	0	3
1990 (3/31/90)	1	0	2

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	0	1	3
1981	0	0	1
1982	0	0	1
1983	0	0	2
1984	0	1	1
1985	0	2	1
1986	0	2	1
1987	0	2	1
1988	0	3	1
1989	0	2	2
1990 (3/31/90)	0	2	1

MARITIME ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	NA	NA	NA
1981	0	1	1
1982	1	3	2
1983	1	3	4
1984	1	3	3
1985	0	2	3
1986	1	3	3
1987	1	4	4
1988	1	4	4
1989	0	3	2
1990 (3/31/90)	1	3	0

POLITICAL/CAREER EMPLOYEE RATIOS

Mr. LEHMAN. Please also update the data on political/career employee ratios as shown on pages 581-586 of last year's hearing record by deleting 1986, updating 1989, and adding 1990.

[The information follows:]

COMPARISON
PRESIDENTIAL, NON-CAREER SES AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 1987

Office						Career Employees	
	Pres	Non Car SES	Sch C	Total	%	Number	Percent
Secretarial Offices	3	10	11	24	25.0	72	75.0
Public Affairs	1	1	6	8	30.8	18	69.2
Budget & Programs	1	0	1	2	5.6	34	94.4
General Counsel	1	0	1	2	2.1	94	97.9
Governmental Affairs	0	2	13	15	31.3	33	68.7
Administration	0	1	2	3	0.6	465	99.4
Policy & International Affairs	1	2	1	4	2.0	201	98.0
Total	7	16	35	58	5.9	917	94.1

COMPARISON
PRESIDENTIAL, NON-CAREER SES AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 1988

Office	Pres	Non Car SES	Sch C	Total	%	Career Employees	
						Number	Percent
Secretarial Offices	3	10	15	28	28.3	71	71.7
Public Affairs	1	2	6	9	33.3	18	66.7
Budget & Programs	1	0	1	2	5.6	34	94.4
General Counsel	1	1	1	3	3.0	98	97.0
Governmental Affairs	1	3	13	17	37.0	29	63.0
Administration	0	2	0	2	0.4	471	99.6
Policy & International Affairs	0	2	1	3	1.4	198	98.6
Total	7	20	37	64	6.5	919	93.5

COMPARISON
PRESIDENTIAL, NON-CAREER SES
AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 1989

Office	Pres	Non Car SES	Sch C	Total	%	Career Employees	
						Number	Percent
Secretarial Offices	2	6	17	25	28.1	64	71.9
Public Affairs	1	1	6	8	33.3	16	66.7
Budget & Programs	1	0	1	2	5.6	34	94.4
General Counsel	1	1	0	2	2.1	93	97.9
Governmental Affairs	1	2	11	14	35.9	25	64.1
Administration	0	0	2	2	0.4	490	99.6
Policy & International Affairs	1	1	2	4	1.9	203	98.1
Total	7	11	39	57	5.8	925	94.2

COMPARISON
PRESIDENTIAL, NON-CAREER SES AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - MARCH 31, 1990

Office	Pres	Non Car SES	Sch C	Total	%	Career Employees Number	Career Employees Percent
Secretarial Offices	2	9	18	29	29.3	70	70.7
Public Affairs	1	1	6	8	33.3	16	66.7
Budget & Programs	1	0	1	2	5.5	34	94.5
General Counsel	1	1	1	3	3.1	93	96.9
Governmental Affairs	1	1	10	12	30.8	27	69.2
Administration	0	0	0	0	0.0	477	100.0
Policy & International Affairs	1	1	2	4	2.0	199	98.0
Total	7	13	38	58	6.0	916	94.0

CLERICAL/PROFESSIONAL WORKER TABLE

Mr. **Lehman**. Please also update the clerical/professional worker table found on page 587 of last year's hearing record by adding data for 1991.

[The information follows:]

SALARIES AND EXPENSES APPROPRIATION AUTHORIZED POSITIONS—CLERICAL AND PROFESSIONAL WORKERS

	FY 1989 actual		FY 1990 estimate		FY 1991 estimate	
	Clerical	Professional	Clerical	Professional	Clerical	Professional
General Counsel	29	73	30	75	30	76
Policy and International Affairs [1]	34	140	36	151	35	140
Budget and Programs	8	30	8	30	8	30
Governmental Affairs	9	37	9	37	8	36
Administration	38	134	38	134	38	136
Public Affairs	7	22	6	20	6	20
Secretarial Offices [2]	33	69	35	73	31	59
Total	158	505	162	520	156	497

[1] Includes Essential Air Service Office.

[2] Includes Office of Commercial Space Transportation in FY 1989 and 1990.

AVERAGE GRADE TABLE

Mr. **Lehman**. Please also update for the record the average grade table found on page 588 of last year's hearing record by deleting 1984, updating 1989, and adding 1990 and 1991.

[The information follows:]

AVERAGE GRADES

AVERAGE GRADES

Office	End FY 1985	End FY 1986	End FY 1987	End FY 1988	End FY 1989	Mar 31 FY 1990	Proj. End FY 1990
Secretarial Offices	11.3	11.6	11.1	11.4	11.6	11.3	11.3
Public Affairs	11.2	11.1	10.7	10.6	10.8	10.8	10.8
Budget and Programs	12.1	12.5	12.5	12.0	12.2	12.2	12.2
General Counsel	11.4	11.9	11.9	12.0	11.9	12.0	12.0
Governmental Affairs	11.0	11.6	11.8	11.3	11.3	11.5	11.5
Administration	9.2	9.8	9.9	10.1	10.3	10.5	10.5
Policy and International Affairs 1/	11.4	11.6	12.1	12.3	12.3	12.3	12.3

1/Office of Essential Air Services moved into Policy and International Affairs from Secretarial Offices at the beginning of FY 1987.

SUPERVISOR/NON-SUPERVISOR RATIO DATA

Mr. Lehman. Please also update the supervisor/non-supervisor ratio data as shown on page 591 of last year's hearing record by deleting 1985, updating 1989, and adding 1990.

[The information follows:]

SUPERVISOR / NONSUPERVISOR RATIOS
ALL EMPLOYEES

	End FY 86	End FY 87	End FY 88	End FY 89	Mar 31 1990
Office of the Secretary	1:4.7	1:5.1	1:4.8	1:4.9	1:4.6
Secretarial Offices	1:3.3	1:3.8	1:3.3	1:4.2	1:3.7
Budget & Programs	1:4.4	1:4.3	1:4.4	1:3.6	1:3.5
General Counsel	1:5.9	1:4.8	1:5.3	1:4.7	1:4.6
Governmental Affairs	1:4.9	1:9.2	1:11.3	1:14.0*	1:9.7
Administration	1:5.1	1:5.4	1:4.8	1:5.2	1:5.0
Policy & International Affairs	1:6.2	1:4.5	1:4.8	1:5.0	1:4.9
Public Affairs	1:3.3	1:8.7	1:4.2	1:4.4	1:3.3
U. S. Coast Guard	1:6.7	1:6.7	1:6.9	1:7.0	1:7.2
Federal Aviation	1:5.6	1:5.6	1:5.6	1:5.5	1:5.4
Federal Highway	1:4.6	1:5.0	1:4.8	1:4.9	1:5.0
Federal Railroad	1:6.9	1:6.4	1:6.2	1:6.1	1:6.7
St. Lawrence Seaway	1:7.6	1:6.8	1:6.1	1:7.0	1:6.8
Urban Mass Transportation	1:4.6	1:4.4	1:4.3	1:4.4	1:4.4
National Highway Traffic Safety	1:4.3	1:4.2	1:4.3	1:4.2	1:4.2
Research and Special Programs	1:6.7	1:6.7	1:6.0	1:6.2	1:6.4
Office of the Inspector General	1:6.9	1:7.3	1:6.5	1:8.0	1:7.6
Maritime Administration	1:7.6	1:5.7	1:5.8	1:5.7	1:6.0
Department of Transportation	1:5.6	1:5.7	1:5.6	1:5.5	1:5.5

*Reflects drop in the number of supervisory employees during the transition.

OVERSEAS TRAVEL

Mr. LEHMAN. Please also update for the record the table on overseas travel as shown on pages 593-602 of last year's hearing record beginning from the end date of last year's submission and bringing it up to date. Please separately list trips of each secretarial office in the manner shown last year.

[The information follows:]

OFFICE OF GENERAL COUNSEL
(4/25/89 - 4/30/90)

Destination	Purpose	Duration (Days)	Cost	No. of Persons
Laredo, Mexico	*Participate as a member of U.S. Delegation in Motor Carrier Negotiations*	*5*	*$ 693*	*1*
Oslo, Norway	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*5*	*$1,847*	*1*
Port of Spain Tobago/Trinidad Barbados	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*9*	*$1,568*	*1*
Tokyo, Japan	*Participate as a member of U.S. Delegation in Aviation Negotiation*	*8*	*$3,798*	*1*
Fiumicino, Italy Krakow, Poland Prague, Czechoslovakia	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*14*	*$2,530*	*1*
Paris, France	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*11*	*$1,797*	*1*
Budapest, Hungary Frankfurt, Germany	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*8*	*$1,921*	*1*
Bangkok, Thailand	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*6*	*$2,081*	*1*
Dublin, Ireland	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*5*	*$1,338*	*1*
Paris, France	*Participate as a member of U.S. Delegation in Aviation Negotiations*	*8*	*$1,633*	*1*
Tokyo, Japan	*Participate as a member of U.S. Delegation in Maritime Negotiations*	*11*	*$3,188*	*1*

Santo Domingo, Dominican Republic	Participate as a member of U.S. Delegation in Aviation Negotiations	4	$ 759	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	10	$2,075	1
Frankfurt, Germany	Participate as a member of U.S. Delegation in Aviation Negotiations	11	$1,381	1
Jeddah, Saudia Arabia & Ankara, Turkey	Participate as a member of U.S. Delegation in Aviation Negotiations	13	$3,052	1
Rome, Italy	Participate as a member of U.S. Delegation in Aviation Negotiations	11	$1,346	1
Moscow, USSR London, England	Participate as a member of U.S. Delegation in Maritime Negotiations	8	$3,201	1
Ottawa, Canada	Participate as a member of U.S. Delegation in Aviation Negotiations	2	$ 417	1
Ottawa, Canada	Participate as a member of U.S. Delegation in Trucking Negotiations	2	$ 515	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	6	$1,198	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	6	$ 933	1
Oslo, Norway	Participate as a member of U.S. Delegation in Consultative Shipping plenary & Working Group	5	$ 781	1
Paris, France	Participate as a member of U.S. Delegation in Aviation Negotiations	5	$1,748	1

Office of the Assistant Secretary for Policy & International Affairs
Overseas Travel
(04/27/89 - 04/25/90)

Destination	Purpose of Trip	Days	$ Cost	# Travelers
SAN JUAN, PUERTO RICO	TO REPRESENT THE DOT AT INTERNATIONAL MARITIME ORGANIZATION SEMINAR	5	1,336	1
OSAKA/TOKYO, JAPAN	BILATERAL AVIATION NEGOTIATIONS W/ GOV'T OF JAPAN AND TO ATTEND MTG.W/US AND THE KANSAI INT'L AIRPT.	9	[illegible]	[illegible]
OSLO, NORWAY/LONDON, ENG.	AVIATION NEGOTIATIONS W/ SCANDIANVIAN COUNTRIES & INFORMAL TALKS WITH UNITED KINGDOM AUTHORITIES	6	3,972	2
GENEVA, SWITZERLAND	PARTICIPATE IN 7/17-21/89 SESSIONS OF THE GROUP ON NEGOTIATIONS OF SERVICES (GNS) WITH GENERAL AGREEMENT TARIFFS AND TRADE (GATT)	8	1,907	1
TIJUANA, MEXICO	HEAD U.S./ DELEGATION FOR DISCUSSIONS W/ MEXICO ON MOTOR CARRIER ISSUES	3	600	1
EDINBURG, SCOTLAND	TO PARTICIPATE IN THE ANNUAL MEETING OF THE EUROPEAN COUNCIL OF THE MINISTERS OF TRANSPORT (ECMT)	6	1,600	1
PORT OF SPAIN/BARBADOS	NEGOTIATE NEW AVIATION AGREEMENT W/ TRINIDAD AND TOBAGO & HOLD CONSULTATIONS W/ BARBADOS	8	1,790	1
WARSAW POLAND/PRAGUE CZEC	NEGOTIATIONS W/ GOVERNMENTS OF POLAND AND CZECHOSLOVAKIA	10	3,170	1
PARIS, FRANCE	ATTEND US-ECAC PLENARY NEGOTIATION REGARDING RENEWAL OF THE MEMO OF UNDERSTANDING ON NORTH ATLANTIC PRICING	9	3,870	2
BUDAPEST, HUNGARY	BILATERAL AVIATION NEGOTIATIONS W/ THE GOVERNMENT OF HUNGARY	6	1,751	1
BRUSSELS, GENEVA	TO PARTICIPATE IN EEC ON COMPUTER RESERVATIONS SYSTEM (CRS) ISSUES	6	1,563	1
BANGKOK, THAILAND	BILATERAL AVIATION NEGOTIATIONS	5	2,183	1
MONTREAL, CANADA	TRIENNIAL INTERNATIONAL CIVIL AVIATION ORGANIZATION ASSEMBLY	7	1,143	2
PARIS, FR/BRUSSEL, BELG	TO PARTICIPATE AS A MEMBER OF THE US DELEGATION TO THE OECD MEETING IN PARIS & TO MEET W/ EC COMM	5	1,794	1
BANGKOK/BRUSSELS	TO PARTICIPATE IN THE PACIFIC RIM COMMERCIAL AVIATION CONFERENCE TO DISCUSS INT'L. AVIATION POLICY.	8	2,587	1
DUBLIN, IRELAND	TO ENGAGE IN AVIATION NEGOTIATIONS W/ THE IRISH GOV'T.	6	1,604	1
SEOUL, KOREA/TOKYO, JAPAN	TO PARTICIPATE IN BILATERAL AVIATION NEGOTIATIONS WITH THE GOV'T. OF JAPAN REGARDING CARGO ISSUES	8	1,430	2
GENEVA, SWITZERLAND	TO PARTICIPATE IN THE OCTOBER 23-27 SESSION OF THE GROUP ON NEGOTIATION OF SERV. REGARDING GATT	7	1,704	1
HONG KONG/SINGAPORE	TO PROVIDE INPUT TO FAA REPRESENTATIVES AT THE IATA SCHEDULING COMM MEETING.	11	700	1
OSLO, NORWAY/BRUSSEL, BELG	TO PARTICIPATE IN OECD WORKING GROUP ON SECTION 301 COMPLAINT	7	2,632	1
GENEVA, SWITZERLAND	TO REPRESENT THE US AT A SPECIAL SESSION & SEMINAR OF THE ECE WORKING PARTY ON COMBINED TRANSPORT	11	800	1
LONDON, ENGLAND	TO ATTEND BILATERAL NEGOTIATIONS W/ THE GOVERNMENTS OF THE UK & USSR	10	3,714	1
DOMINICAN REPUBLIC	CONSULTATIONS W/ THE DOMINICAN REPUBLIC TO OBTAIN RATIFICATION OF A MODERN AIR TRANSPORT AGREEMENT	6	982	1
GENEVA, SWITZERLAND	TO PARTICIPATE IN THE SESSION OF THE GROUP ON NEGOTIATION OF SERVICES TO PLAN STRATEGY	5	1,214	1
PARIS, FRANCE	TO REPRESENT THE DOT AS HEAD OF US DELEGATION AT THE EUROPEAN CONF. OF MINISTERS OF TRANSPORTS, ETC.	5	764	1
BONN, GERMANY/PARIS FRANC	TO PARTICIPATE IN BILATERAL AVIATION NEGOT.W/THE GOV'TS OF GERMANY & FRANCE	12	4,021	2
PARIS, FRANCE	TO PARTICIPATE ON US DELEGATION TO NEGOTIATIONS ON BILATERAL CIVAIR AGREEMENT	7	1,303	1
SAUDIA ARABIA/TURKEY	TO REPRESENT OST AT BILATERAL AVIATION CONSULATIONS W/ SAUDIA/TURKEY NEG. A LONG TERM AVIATION AGR'MT	8	3,401	1
MEXICO CITY, MEXICO	TO HEAD THE US DELEGATION TO THE US-MEXICO TRANSP. WORKING GROUP MTG (& GIVE SEMINAR AT UNIV. OF TEXAS)	14	1,307	1
HONOLULU, HAWAII	TO PARTICIPATE AS DOT REP. ON THE U.S. DELEGATION IN BILATERAL CIVIL AVIATION NEGO. W/ AUSTRALIA	5	2,872	2
MOSCOW, USSR/LONDON U.K.	IN MOSCOW TO PARTICIPATE IN MARITIME NEGOTIATIONS; IN LONDON TO DISCUSS PREPARATIONS FOR US/CSG TALKS	7	2,702	1
GENEVA, SWITZERLAND	TO PARTICIPATE IN THE JAN. 16-18 SESSION OF THE GNS NEGOTIATIONS OF GATT	5	809	1
GENEVA, SWITZERLAND	TO PARTICIPATE IN 2/26-3/2 SESSION OF THE GNS NEGOTIATIONS OF GATT	8	1,110	1
MONTREAL, CANADA	TO ATTEND ICAO STUDY GROUP ON CRS	6	1,161	1
ROME, ITALY	TO ATTEND BILATERAL NEGOTIATIONS W/ THE GOV'T. OF ITALY	5	2,044	2
BRUSSELS, BELGIUM/HELSIKI FINLAND/OSLO, NORWAY	TO NEGOTIATE SHIPBUILDING BILATERALS	7	2,066	1
OTTAWA, CANADA	TO PARTICIPATE IN AIR TRANSP. NEGOTIATIONS	2	461	1
LONDON, ENGLAND	BILATERAL NEGOTIATIONS W/ THE USSR	5	1,400	1
OTTAWA, ONTARIO: CANADA	TO PARTICIPATE IN NEGOTIATIONS RELATING TO ONTARIO GOVT. ACTIONS AGAINST USE OF US BUILT 53FT TRAILERS	2	1,141	2
COSTA RICA/GUATEMALA	TO PARTICIPATE IN BILATERAL AVIATION NEGOTIATIONS W/ THE COUNTRIES OF COSTA RICA/GUATEMALA	6	1,689	1
PARIS, FRANCE	TO NEGOTIATE SHIPBUILDING BILATERALS	5	1,616	1
SPAIN/FRANCE/BELGIUM/ GERMANY/ENGLAND/IRELAND	TO ACCOMPANY THE SECY. AT MTGS W/HIS COUNTERPARTS ON AVIATION SECURITY	8	800	1
LONDON, UNITED KINGDOM	CONSULTATIONS W/ UK GOVT.REPRESVS.FROM MINISTRIES OF TRANSPORT, ETC. ON TEST AIRPORT SECURITY	8	1,820	1
PARIS, FRANCE	TO NEGOTIATE SHIPBUILDING BILATERALS	6	3,743	2
GENEVA, SWITZERLAND	TO PARTICIPATE IN THE MARCH 24-31 SESSION OF SERVICES (GNS) NEGOTIATION OF GATT	8	2,039	1
LONDON, ENGLAND	TO ATTEND BILATERAL NEGOTIATIONS WITH THE SOVIET UNION	7	2,076	2
GENEVA, SWITZERLAND	TO PARTICIPATE IN THE 5/5-12 SESSION OF GNS NEGOTIATION OF GATT	8	1,199	1
BELGIUM/NORWAY/DENMARK SWEDEN	TO ACCOMPANY DEPUTY SECRETARY CHAO FOR DISCUSSIONS IN EACH COUNTRY	7	3,080	1
OTTAWA, CANADA	PARTICIPATE IN THE APRIL 23-27 MTG. OF THE UN/EDIFACT RAPPORTEURS	3	647	1

OFFICE OF THE ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

(4/25/89 - 4/30/90) NONE

OFFICE OF THE ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS

(5/1/89 - 4/25/90)

Destination	Purpose	Duration (days)	Cost	No. of Persons
Paris, France	To accompany the Secretary and a Congressional delegation to Paris Air Show	7	$ 925	1
Paris, France	To accompany the Secretary and a Congressional delegation to Paris Air Show	6	682	1
London, England/ Prestwick, Scotland	To accompany Cong'l delegation for DOT-related briefings	10	1,677	1

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION

(4/25/89 - 4/20/90)

Rome, Italy/ London, England	Secretary's Office Staff Support	10	$2,623	1
Bonn, FRG	Secretary's Office Staff Support	8	1,700	1
Paris, France	Secretary's Office Staff Support	7	1,477	1
Rome, Italy/Bonn, FRG/Paris, France/ London, England	Secretary's Office Staff Support	8	844	1
Paris, France	Secretary's Office Staff Support	8	1,730	1

Rome, Italy	Deputy Sec.'s Office Staff Support	9	1,765	1
Paris, France	Deputy Sec.'s Office Staff Support	9	1,975	1
Bonn, FRG/Madrid, Spain	Deputy Sec.'s Office Staff Support	9	1,847	1
Paris, France/ Brussels, Belgium	Secretary's Office Staff Support	9	2,832	1
Frankfurt, FRG	Secretary's Office Staff Support	6	1,153	1
Bonn, FRG	Secretary's Office Staff Support	7	1,492	1
Berlin, FRG	Secretary's Office Staff Support	7	1,424	1
Paris, France/ Bonn, Frankfurt, Berlin, FRG/ Brussels, Belgium	Secretary's Office Staff Support	6	646	1

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

(4/27/89) - 4/26/90)

Paris, France/ Rome, Italy/ Bonn, FRG/ London, England	To assist Secretary with press activities	8	$ 832	1
Edinburgh, Scotland/ London, England	To assist Deputy Secretary with press activities	9	1,717	1
Paris, France/ Frankfurt, Bonn, FRG/ Brussels, Belgium	To assist Secretary with press activities	6	651	1

IMMEDIATE OFFICE OF THE SECRETARY

(5/1/89 - 4/30/90)

Paris, France	To attend Paris Int'l Air Show	7	$5,591	4
Paris, France/ Bonn, Frankfurt, Berlin, FRG/ Brussels, Belgium	To tour and observe various transportation modes, meet with airport security reps., ministers of transport, and ambassadors of FRG and Belgium	7	6,380	5

IMMEDIATE OFFICE OF THE DEPUTY SECRETARY

(5/1/89 - 4/30/90

Edinburgh, Scotland	To attend European Council of Transport Ministers	6	3,727	2
Rome, Italy/ Paris, France/ Frankfurt, Bonn, FRG/ Madrid, Spain	To observe rail and airport security systems	8	4,400	3
Brussels, Belgium/ Oslo, Norway/ Copenhagen, Denmark/ Stockholm, Sweden	Meet with: EC92 European Community Officials; Consultative Shipping Group; Innovative Rail Technology and Shipping Officials. Participate in Innovative Rail Technology Discussions.	6	9,000	3

OFFICE OF COMMERCIAL SPACE TRANSPORTATION

(4/27/89 - 4/25/90)

Bonn, FRG	To speak on U.S. commercial space transportation at the European Aerospace Conference.	5	$1,313	1
Kourou, Fr. Guiana	To speak on U.S. commercial space transportation at the meetings of the Space Transportation Technical Committee and Commercial Space Transportation Subcommittee of the American Institute of Aeronautics and Astronautics.	7	1,532	1

Montreux and Geneva, Switzerland	To speak, participate and exhibit at "Space Commerce '90," the 3rd International Conference and Exhibition on the Commercial and Industrial Uses of Outer Space, and meet with representatives from European space agencies.	9	4,639	2

EAS FUNDING

Mr. **Lehman**. Please provide for the record a breakdown of fiscal year 1990 funding for the EAS program showing each subsidized point, miles between EAS community and alternate service airport, average daily EAS subsidized enplanements at each EAS community, total EAS subsidy, and subsidy per passenger, similar to the data shown on pages 610–617 of last year's hearing record.

[The information follows:]

The attached table provides the information requested. The highway miles in the table are from the center of the EAS community to the nearest alternate airport. We have defined an alternate airport as one that averages at least 100 enplanements per day. This is consistent with the Department's Final Rule on subsidy reductions issued December 19, 1989.

We have included a separate table for EAS points in Alaska. Just as in last year's report, we have not included highway miles to alternate airports nor passenger enplanements. The isolation of the communities is better measured by difficulty of access to other modes of transportation rather than miles to alternate service. Passenger enplanement data is less relevant in Alaska since EAS carriers maintain responsibility for transporting large amounts of freight and mail.

Consistent with the Department's Final Rule, we intend to base any FY 1991 service reduction on final calendar year 1989 traffic data and subsidy rates in effect on July 1, 1990. Therefore, the reader should keep in mind that further adjustments will be made to update the data contained herein to comply with the Rule.

Attachment
Page 1 of 6

SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) IN ALASKA

	Annual Subsidy as of April 27, 1990
Atka	$374,944
Boswell Bay	32,739
Cape Yakataga	32,739
Central	20,317
Chatham	3,279
Circle	20,317
Cordova	282,804
Elfin Cove	11,048
Funter Bay	3,279
Gustavus	282,804
Icy Bay	32,739
May Creek	9,114
McCarthy	9,114
Nikolski	39,570
Nyac	7,068
Petersburg	282,804
Port Heiden	302,000
Sand Point	301,999
Seward	53,331
St. George	110,205
Wrangell	282,804
Yakutat	282,804
Kodiak Island, 13 Communities	181,021

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SUBSIDIZED ESSENTIAL AIR SERVICE (EAS)

States/ Communities	Miles Between EAS Community and Alternate Service Airport 1/	O & D Traffic (1989)	Average Daily Enplanements at EAS Community (1989)	Annual Subsidy 2/	Subsidy Per Passenger 6/
ALABAMA					
Anniston	62	21,602	34.5	- 3/	-
Gadsden	60	1,642	2.6	$183,137	$111.53
ARIZONA					
Kingman	103	5,155	8.2	$130,807	$25.37
Page	137	8,117	13.0	$177,433	$21.86
ARKANSAS					
El Dorado/Camden	84	4,685	7.5	$717,766	$153.21
Harrison	88	2,950	4.7	$544,432	$184.55
Hot Springs	57	2,753	4.4	$507,407	$184.31
Jonesboro	71	1,090	1.7	$260,273	$238.78
CALIFORNIA					
Crescent City	80	5,210	8.3	$154,660	$29.69
Merced	60	14,336	22.9	$310,521	$21.66
COLORADO					
Alamosa	127	16,146	25.8	- 3/	-
Cortez	57	9,271	14.8	$138,210	$14.91
Lamar	114	1,888	3.0	$244,317	$129.41
GEORGIA					
Athens	82	39,837	63.6	- 3/	-
ILLINOIS					
Mattoon/Charleston	46	3,936	6.3	- 3/	-
Mt. Vernon	93	1,623	2.6	$307,772	$189.63
Quincy	100	8,266	13.2	- 3/	-
Sterling/Rock Falls	60	1,860	3.0	$248,011	$133.34
IOWA					
Ottumwa	92	2,458	3.9	$238,498	$97.03
KANSAS					
Dodge City	156	4,293	6.9	$244,317	$56.91
Garden City	209	6,323	10.1	$244,317	$38.64
Goodland	190	1,384	2.2	$244,317	$176.53
Great Bend	116	3,354	5.4	$244,317	$72.84
Hays	175	8,300	13.3	$244,317	$29.44
Liberal/Guymon	162	4,457	7.1	$244,317	$54.82
MAINE					
Bar Harbor	52	10,904	17.4	- 3/	-
Rockland	65	5,703	9.1	- 3/	-

NOTE: Footnotes are found on Page 6 of this Appendix.

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SUBSIDIZED ESSENTIAL AIR SERVICE (EAS)

States/ Communities	Miles Between EAS Community and Alternate Service Airport 1/	O & D Traffic (1989)	Average Daily Enplanements at EAS Community (1989)	Annual Subsidy 2/	Subsidy Per Passenger 6/
MICHIGAN					
Iron Mountain	200	18,065	28.9	$95,485	$5.29
Ironwood/Ashland	103	5,095	8.1	$95,484	$18.74
Manistee/Ludington	120	5,677	9.1	$237,574	$41.85
Menominee/Marinette	60	4,207	6.7	$95,484	$22.70
MINNESOTA					
Fairmont	153	3,335	5.3	$241,791	$72.50
Mankato	75	3,072	4.9	$219,484	$71.45
Worthington	62	2,371	3.8	$219,483	$92.57
MISSOURI					
Ft. Leonard Wood	92	11,003	17.6	$168,983	$15.36
Kirksville	145	5,727	9.1	$235,637	$41.14
MISSISSIPPI					
Laurel/Hattiesburg	95	9,274	14.8	- 3/	-
NA					
Glasgow	247	2,950	4.7	$259,558	$87.99
Glendive	192	1,553	2.5	$242,815	$156.35
Havre	113	1,511	2.4	$254,190	$168.23
Lewistown	108	833	1.3	$254,189	$305.15
Miles City	146	1,209	1.9	$242,815	$200.84
Sidney	183	4,099	6.5	$502,659	$122.63
Wolf Point	222	2,443	3.9	$259,558	$106.25
NEBRASKA					
Alliance	242	1,471	2.3	$198,605	$135.01
Chadron	104	1,309	2.1	$198,604	$151.72
Grand Island	98	9,411	15.0	$422,567	$44.90
Hastings	104	1,904	3.0	$343,899	$180.62
Kearney	130	4,594	7.3	$343,898	$74.86
McCook	259	1,896	3.0	$343,898	$181.38
North Platte	282	3,553	5.7	$287,594	$80.94
Scottsbluff	202	5,472	8.7	$287,594	$52.56
NEVADA					
Ely	236	3,963	6.3	$323,330	$81.59
NEW HAMPSHIRE					
Laconia	52	1,931	3.1	$249,786	$129.36
Keene	62	15,786	25.2	- 4/	-
ERSEY					
Cape May	45	5,377	8.6	- 4/	-

States/ Communities	Miles Between EAS Community and Alternate Service Airport 1/	O & D Traffic (1989)	Average Daily Enplanements at EAS Community (1989)	Annual Subsidy 2/	Subsidy Per Passenger 6/
NEW MEXICO					
Alamogordo	92	5,476	8.7	$165,766	$30.27
Clovis	106	5,190	8.3	$133,651	$25.75
Hobbs	98	5,994	9.6	$85,690	$14.30
Sante Fe	59	10,706	17.1	$132,314	$12.36
Silver City	163	4,745	7.6	$169,390	$35.70
NEW YORK					
Massena	149	8,224	13.1	$239,610	$29.14
Ogdensburg	127	8,267	13.2	$239,610	$28.98
NORTH DAKOTA					
Devils Lake	90	4,716	7.5	$294,396	$62.42
Jamestown	97	8,692	13.9	$294,396	$33.87
Williston	130	10,126	16.2	$502,659	$49.64
NORTHERN MARIANAS					
Rota	N/A	5/	5/	$430,410	
OKLAHOMA					
Enid	91	1,699	2.7	$178,235	$104.91
Ponca City	88	2,580	4.1	$178,235	$69.08
PENNSYLVANIA					
Oil City/Franklin	72	19,987	31.9	$128,504	$6.43
PUERTO RICO					
Ponce	80	9,125	14.6	$265,058	$29.05
SOUTH DAKOTA					
Brookings	57	3,970	6.3	$108,938	$27.44
Huron	121	6,972	11.1	$108,938	$15.63
Mitchell	68	2,096	3.3	$108,938	$51.97
Pierre	207	10,888	17.4	$371,165	$34.09
Yankton	96	1,068	1.7	- 3/	- -
TEXAS					
Brownwood	77	3,146	5.0	$285,898	$90.88
Paris	95	1,179	1.9	$228,799	$194.06
UTAH					
Cedar City	171	10,872	17.4	$167,489	$15.41
Moab	116	2,085	3.3	$172,930	$82.94
Vernal	171	4,984	8.0	$203,784	$40.89

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SUBSIDIZED ESSENTIAL AIR SERVICE (EAS)

States/ Communities	Miles Between EAS Community and Alternate Service Airport 1/	O & D Traffic (1989)	Average Daily Enplanements at EAS Community (1989)	Annual Subsidy 2/	Subsidy Per Passenger 6/
VERMONT					
Rutland	71	15,054	24.0	- 4/	-
VIRGINIA					
Danville	57	17,345	27.7	$217,856	$12.56
Hot Springs	95	1,248	2.0	- 4/	-
WASHINGTON					
Ephrata/Moses Lake	83	7,922	12.7	$164,336	$20.74
WEST VIRGINIA					
Beckley	59	22,436	35.8	$55,123	$2.46
Clarksburg/Fairmont	107	3,808	6.1	$326,796	$85.82
Elkins	141	1,822	2.9	$323,952	$177.80
Morgantown	75	5,162	8.2	$326,795	$63.31
Princeton/Bluefield	96	23,305	37.2	$55,123	$2.37
WYOMING					
Laramie	50	14,331	22.9	- 3/	-
Worland	164	2,622	4.2	$352,655	$134.50

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FOOTNOTES

1/ The highway miles quoted in this table are in some instances different from those in earlier responses and are consistent with the Department's Final Rule on subsidy-eligibility criteria issued December 19, 1989. We have measured the distance from the center of the EAS community to the alternate airport. For these purposes, we have defined an alternate airport as one that enplanes at least 100 passengers per day. In addition, the distances are from the EAS community to the nearest unsubsidized air service, and those points can change over time as some points go off subsidy and new points require subsidy.

2/ Rates in effect as of April 27, 1990. Some of the rates are temporary rates and are subject to adjustment.

3/ No subsidy rate is currently in effect.

4/ Community is currently without air service.

5/ Data not available.

6/ Effective January 1, 1990, communities at which subsidy exceeded $200 per passenger were made ineligible for further subsidization. Because of changes in subsidy rates or traffic levels, however, some communities that were less than $200 per passenger for past periods now require more than that amount per passenger in subsidy.

NOTE: The annual rates listed in this attachment represent only one piece of the FY 1990 budget requirements. In addition, there are requirements for lump sum payments for services already performed, past and future period rate adjustments, and carrier selections reestablishing air service at points temporarily without air service.

NASSIF LIBRARY MODERNIZATION

Mr. LEHMAN. On page 30, you request $40,000 to fund OST's share of the Nassif Library modernization. What are the objectives of that effort, and what is the total cost by fiscal year? Where are the other costs budgeted?

[The information follows:]

We are undertaking a modernization program to implement improved library science applications, such as automated indexing and literature searches, that utilitze advanced equipment and technology and reduce stock space. There is a one-time cost of $118,000 to fully implement this program. OST's share of this effort is $40,000 and the remainder will be funded by other Administrations within the Department.

SECRETARY'S TRAVEL INCREASE

Mr. LEHMAN. On page 36, in the Immediate Office of the Secretary, you are requesting a $96,000 increase in travel costs associated with the Secretary's commitment to aviation security and to implement the new transportation policy. Why can't such changes in travel emphasis be accommodated without increases in funding?

Ms. CHAO. Again I wish that it could, but you touched upon a very important point, and that is that a large amount of this travel does involve international travel associated with international aviation. We have tried in the aftermath of the Pan Am 103 accident to coordinate more closely with ICAO in Montreal. We have found that dealing with ICAO alone will not accomplish much because it is a multilateral body. It has to get member nations involved.

What the Secretary has found to be a bit more persuasive is to talk with the foreign governments himself and to be face-to-face with the minister of transport or the minister of state of West Germany or of England, and aviation security is an absolute top priority. The Secretary has felt very deeply the loss of Pan Am 103 and he has said that aviation security always will be a top priority. We have to go overseas and talk with our foreign counterparts because to do so just within the U.S. won't do it.

DEPUTY SECRETARY'S BUDGET INCREASE

Mr. LEHMAN. On page 37, you are requesting a net increase of $16,000 in the Office of the Deputy Secretary comprised of several changes (1 additional FTE, annualization of the pay raise, January 1991 pay raise, executive pay raise, within grade increases, and merit pay increases). Please provide a breakdown listing each of those changes separately.

[The information follows:]

The $487 thousand requested for the Deputy Secretary's office in FY 1991 fully funds all costs of 10 FTE ($453 thousand) and associated travel and contractual services ($34 thousand). Included under personnel compensation and benefits costs are increased funds for WIGs/merit pay, annualization of the January 1990 pay raise, and three-quarters of the cost of the January 1991 pay raise (including absorption of 50 percent). Funding increase related to these non-discretionary costs (WIGs/merit pay and pay raises) would total approximately $50 thousand. However, the FY 1990 enacted level provided more funds than needed for this office. Since this money remains in the "base," it will be used to offset part of the FY 1991 true increase including the requested additional FTE. Therefore, when compared to the enacted level of $470 thousand, the net increase for this office is $17 thousand of which $16 thousand is attributable to staffing (PC&B).

FTE INCREASE FOR TRANSPORTATION ISSUES

Mr. LEHMAN. Please explain why you need an additional FTE "for special assignments involving high priority transportation issues as they arise," as stated on page 37.

Ms. CHAO. We have seen in the past year that we have a very active Secretary who wants to investigate issues that are thought settled by conventional wisdom. There were a lot of pressing agenda items in the department, for example the airline competition issue. The Secretary has sparked within the department a unique management style in that he doesn't just hit upon a person who is head of a particular department and ask them to handle an issue. He forms task forces of relevant people for a specific purpose, and they disband when their purpose is achieved.

It is sort of an "adhocracy," which is a popular term. It is a management style he uses very effectively. We sometimes need additional FTEs because we need an intermodal coordinator in that office, and so we do need oversight that reaches beyond the modes.

COMMERCIAL SPACE OFFICE FUNDING

Mr. LEHMAN. For fiscal year 1991, you are requesting a separate appropriation for the Office of Commercial Space Transportation. Currently, that office is funded through the other OST appropriations. What problems arising from the current arrangement have led you to propose breaking out this office?

Ms. CHAO. We have a separate dedicated transportation account that is really appropos for this. We see an increase in the importance of this office as well. For example, recent history has seen growth from two launches in 1989 to 10 expected in fiscal year 1990 and 40 in fiscal year 1991.

There are various offices of commercial space for our government. They, I believe, have their consolidated accounts as well. The office is increasing its activities in licensing of launch activities, looking at commercial launch facilities, looking at new launch systems' and they are paying attention to an increased array of activities in space.

We are currently doing commercial space planning. Given their particular mandate and the growing variety of their actions, we thought that this increase was justified.

Mr. LEHMAN. Do you find it inconsistent to be arguing on the one hand that we should consolidate the sub-accounts of the salaries and expenses appropriation to give you more flexibility, but on the other hand you propose to break out one of those sub-accounts yourself?

Ms. MOORE. May I make a point on that, Mr. Chairman? I think that specific spotlight on commercial space is a statement of our commitment and the importance of that activity, that we wanted a clear statement that we are not looking at trade-offs between some of the other offices and the commercial space office, but given the growth in that industry, we wanted to have that kind of special attention.

OFFICE OF COMMERCIAL SPACE—NEW ACCOUNT

Mr. LEHMAN. Why do you propose bill language which would allow TPR&D appropriations for commercial space activities to be merged into this account, and how much funding is involved?

[The information follows:]

Over the past five years, the Office of Commercial Space Transportation has been funded under both the S&E and TPR&D appropriations. A new account for this Office is proposed because we believe a separate dedicated space transportation account will permit launch safety programs to be addressed in the context of other space needs, and not other OST program needs.

The account permits the scope of DOT's regulatory and promotional responsibilities, relative to the growing commercial space industry, to be measured more directly. It also provides the Secretary of Transportation a means for demonstrating the priority of the space office within the Department.

A total of $4.5 million is requested for OCST in FY 1991, with $3.1 million of this amount for research and development contracts.

COMMERCIAL SPACE FUNDING INCREASE

Mr. LEHMAN. You are requesting a 7.6 percent increase for commercial space activities. What measurable workload indicators of this office can be cited to justify that increase?

[The information follows:]

Recent history has shown a growth in the number of licensed launches from two in FY 1989 to 10–15 expected in FY 1990 and an estimated 30–40 in FY 1991. Increases in launch activity, emergence of commercial launch facilities and new launch systems, and an increased array of innovative commercial activities in space are stretching our resources.

The Office also expects an increased level of effort for Industry Policy and Planning, in order to address: an increased need for regulatory policy development to shape licensing programs; new demands from such markets as materials processing, remote sensing, mobile communications, and position location; and growing international competition.

The following table compares the FY 1991 budget request to FY 1990 and FY 1989 and shows the number of launches carried out (or expected to be carried out) under a license issued by the Department's Office of Commercial Space Transportation:

	Fiscal year		
	Enacted 1989	Enacted 1990	Request 1991
Funding	$3,395,000	$4,198,000	$4,517,000
Increase (over previous year) (percent)		23	7.6
Number of launches	2	10–15	30–40

COMMERCIAL SPACE LAUNCHES

Mr. LEHMAN. On page 48, you state that up to 40 U.S. commercial space launches are anticipated, compared to 10 to 15 launches in fiscal year 1990. How many have occurred thus far in fiscal year

1990, and what is the estimated schedule for the remainder of the year?

[The information follows:]

From March 1989 to April 13, 1990, there have been five successful launches by domestic companies:

Space Services, Inc. (SSI) launch of a sounding rocket from White Sands Missile Range in New Mexico on March 29, 1989 (a sub-orbital launch);

McDonnell Douglas launch of a Delta rocket carrying a British Satellite Broadcasting (BSB) communications satellite on August 27, 1989;

Martin Marietta launch of a Titan III rocket carrying a dual payload (Japanese and British satellites) on December 31, 1989;

McDonnell Douglas launch of a Delta rocket carrying a Department of Defense (SDIO) payload on February 14, 1990;

McDonnell Douglas launch of a Delta II rocket carrying an Indonesian communications satellite on April 13, 1990.

DOT's recent (April 6) manifest includes 5 additional launches in FY 1990:

SSI launch of microgravity research satellite for the university based Center for the Commercial Development of Space;

General Dynamics launch for NASA; [1]

Second Martin Marietta launch of a communications satellite for an international consortium (a similar launch in March 1990 failed);

Second McDonnell Douglas launch for British Satellite Broadcasting;

McDonnell Douglas launch of communications satellite for an international consortium.

FY 1990 LAUNCHES

Mr. LEHMAN. Why does the chart on page 49 estimate 20 to 25 launches in fiscal year 1990 instead of the 10 to 15 previously referred to?

[The information follows:]

We anticipate 10-15 launches in FY 1990 and 30-40 launches in FY 1991. These estimates are based on the launches for which there are firm contracts, plus projections based on industry activities, projections of continued government agency requirements for launch services, and negotiations with potential domestic and foreign customers.

The narrative on page 48 of the budget discusses "10 to 15 launches in FY 1990" but the chart on page 49 shows "20-25 launches in FY 1990." The figures in the chart should have been the same as the narrative on page 48.

COMMERCIAL SPACE'S STATUTORY ROLE

Mr. LEHMAN. Turn to space transportation.

The term "space transportation" would seem to imply launch vehicles. Yet you also have funds budgeted for studies on space payloads, that is, satellites. What is OCST's statutory role in payload research or regulation?

Ms. CHAO. I am not quite clear about the statutory role. I will look into that for you. But the term "space transportation" is not just limited to launch vehicles. It is the whole concept of the space transportation system and it includes the payload.

[The information follows:]

In addition to the responsibility to ensure the safety of commerical launch vehicles, DOT is responsible, under Sec. 6(b) (2) of the Commerical Space Launch Act, to review certain types of payloads. In essence, Section 6 provides that payloads that are not U.S. Government payloads or not subject to existing FCC or NOAA regulation, must be reviewed by DOT to determine whether their launch would jeopardize public health and safety, safety of property, or any U.S. national security or foreign policy interest. Since many payloads contain toxic, radioactive, or other hazardous materials, this is an important responsibility.

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[1] While this is being advertised as GD's first commercial launch, NASA and DOT disagree as to whether this will be a "DOT licensed" launch.

OCST "OTHER COSTS"

Mr. LEHMAN. Please update the table on OCST "other costs" shown on page 672 of last year's hearing record by updating 1990 and adding 1991.

[The information follows:]

COMMERCIAL SPACE OFFICE—OTHER COSTS [1]

[In thousands of dollars]

	1989 actual	1990 estimate	1991 estimate
Travel	$63	$60	$75
Contracts	2,161	[2] 2,945	3,103
Total	2,224	3,005	3,178

[1] Tables in prior years included only S&E costs. Since the FY 1991 OCST request has been consolidated into one appropriation, the above table has been modified to include both S&E and TPR&D costs in FY 1989 and FY 1990, for comparison purposes.

[2] Includes $83 thousand in TPR&D carryover funds from FY 1989.

OCST STAFFING

Mr. LEHMAN. Please also update for the record the data on OCST staffing shown on pages 673–680 of last year's hearing record, and indicate which position is being reduced from fiscal year 1990.

[The information follows:]

JOB TITLES	GRADES	MAJOR RESPONSIBILITIES
Director	ES-4	Encouraging, facilitating and promoting commercial expendable launch vehicle (ELV) activities by the U. S. private sector. Principal staff advisor to the Secretary and Deputy Secretary relative to managing and coordinating the licensing of commercial ELV launches and associated services; identifying and analyzing interagency, intra-agency, and international issues affecting commercial ELV activities; developing commercial space transportation policies; preparing, coordinating and reviewing proposed legislation and regulations involving commercial space transportation policy; promoting commercial space activities; and assuring that commercial ELV viewpoints and interests are properly conveyed in policy deliberations within and external to the Department.
Secretary (Stenographer)	GS-9	Serving as office manager ensuring that office procedures and practices are followed. Taking and transcribing dictation; making all necessary arrangements for travel, including transportation and hotel reservations, and submitting travel vouchers and reports; processing correspondence; scheduling meetings and conferences; screening telephone calls and visitors; operating office automation equipment; and preparing time and attendance reports.
Special Assistant to the Director*	GM-13	Rendering personal assistance to the Director, taking and initiating actions required to conserve the Director's time; expediting within designated authority, papers and problems and otherwise accomplishing a variety of assignments of a sensitive or confidential nature designed to assist in the discharge of the Director's responsibilities.

Administrative Officer	GS-11	Accomplishing the administrative management program of the office that includes personnel management, financial management, space management, office services management, management analysis, procurement management and travel management.
Supervisory Transportation Industry Analyst (Associate Director for Industry Policy and Planning Division)	GM-15	Managing the formulation of federal policies for the Department for commercial space transportation; directing in-depth industry and policy analyses on matters involving all commercial aspects of the commercial space industry; advising the Director on the cost/benefits and consequences of various DOT regulatory and policy actions; preparing briefing materials on them for use by the Secretary and other key officials; maintaining Departmental industry data base which includes information on performance, profitability, markets, competition and technological innovations, to provide a basis for identifying potential industry problems; formulating Federal policies and conducting other activities; performing/overseeing complex analyses on proposed commercial launch regulations, policies and legislation, and advising appropriate top government officials on any findings, conclusions and authoritative recommendations.
Transportation Specialist	GM-15	Monitoring and assessing international space developments, including policies and programs of foreign governments and international organizations affecting commercialization of U. S. launch vehicles; recommending appropriate policies or actions to the Office Director; monitoring and assessing developments in the satellite and communications industries to determine likely impact on the U. S. commercial launch industry; recommending appropriate policies or actions to the Office Director and/or other interested DOT officials; reviewing and analyzing and evaluating actual and proposed space transportation policies and programs, that includes international trade, telecommunications, insurance, remote sensing, materials processing, and R&D, for use

		in legislation, regulations, budget justifications, policy statements, testimony, speeches, etc.; providing liaison with public and private groups on commercial space transportation policies and programs; preparing and delivering speeches to groups interested in commercial space transportation policies and programs; and representing DOT on a variety of interagency groups dealing with commercial space transportation.
Economist	GS-13	Developing and maintaining current data base of information available on commercial expendable launch vehicles for analyses; supporting data collection efforts through liaison with the ELV and satellite payload industries; integrating industry statistics and technical information into background papers and industry status updates reviewing ELV and payload variants, prices, insurance arrangements, launch range agreements and foreign competition; compiling and presenting information regarding commercial launch operations; researching and developing background papers outlining technical issues and policy alternatives designed to expand space commercialization; and serving as office representative with domestic and intergovernmental entities involved with commercial space operations and policy.
Policy Analyst	GS-14	Performing special studies and analyses for OCST on selected projects involving international trade, foreign policy, national security, policy development or analyses for promoting the commercial space transportation industry. Serves as representative of the office in interagency task groups resolving particular issues related to the commercial space transportation industry. Identifies national goals and objectives, policy issues and options, and program strategies and guidelines for the commercialization of U. S. launch vehicles. Monitors the activities of other government agencies, private

		industry, foreign governments and international organizations to determine impact on the commercialization of space transportation.
Research Analyst	GS-12	Supporting office's policy role through compilation and presentation of information regarding the commercial space sector; researching and developing background papers outlining technical issues and policy alternatives designed to expand space commercialization; assisting in office liaison with domestic and governmental entities involved with commercial space operations and policy; supporting data collection efforts through liaison with the ELV and satellite payload industries; integrating industry statistics and technical information into background papers and industry status updates reviewing ELV and payload variants, prices, insurance arrangements, launch range agreements and foreign competition; assisting in the evaluation of office requirements for research studies, supporting the supervision of contracts for reports, databases, and data collection for assessing trends affecting the ELV and satellite payload industries.
Secretary (Typing)	GS-7 (3)	Providing typing support for supervisor and division staff; preparing travel orders and vouchers; receiving, screening and referring telephone calls and office visitors to appropriate staff; receiving and reviewing all correspondence, maintaining records and controls on these items, and assigning to appropriate staff member for handling; and substituting for and assisting the Office Director's secretary, as needed, and assuming the duties and responsibilities of that position in his/her absence.
Supervisory Regulatory Specialist (Associate Director for Licensing Programs Division)	GM-15	Guiding preparation and coordination of regulations; ensuring regulations represent streamlined process while protecting public safety under the Act; directing development and coordination of regulatory analyses, environmental assessments

		and other related documents and ensuring resolution of issues before official publication; identifying staffing, funding and outside resources needed to perform office technical responsibilities; guiding development of resource plans, budget justifications and strategic efforts to obtain resources; identifying potential source of outside support to assist office on technical issues, and takes action to procure such support; identifying safety issues critical to the licensing and technical efforts of the office; defining the scope of these issues and identifying appropriate means for addressing safety issues in a comprehensive manner; organizing and managing research efforts; identifying functions critical to effective implementation of the Commercial Space Launch Act and developing a comprehensive plan for addressing these areas; and ensuring that the Department has an effective plan for achieving a credible level of technical capability.
Operations Research Analyst	GM-14 (2)	Responsible for planning and directing the development and implementation of research efforts in support of identifying safety issues and the necessary regulatory structure by which commercial launch vehicles and launch sites will be licensed and controlled; requires extensive interaction with other government agencies as well as the private sector; and overseeing the implementation and evaluation of safety studies, risk management analyses directed toward establishing requirements and standards to assure the public safety.
General Engineer	GM-14 (2)	Developing technical knowledge and expertise on launch vehicles, the launch process, payloads, launch site operations and other issues of relevance or significance to commercial space regulation; maintaining close awareness of policy issues and activities either affecting or underway within office; developing comprehensive program plan for assigned regulatory areas; identifying future

		constituency and potential industry demands, research and information needs, and regulations, guidelines and procedures required to respond to industry; program planning that includes actions, studies, time schedule, milestones, proposed resources necessary to accomplish program objectives; identifying safety issues critical to the licensing and technical efforts of the division; defining the scope of these issues and identifying appropriate means for addressing safety issues in a comprehensive manner; organizing and managing research efforts; identifying staffing, funding and outside resources needed by the Licensing Programs Division to perform its technical responsibilities; developing resource plans, budget justifications and other documents needed to obtain resources; identifying contract needs and outside support and taking appropriate action to assure adequate support is in place; managing efforts to establish full capability in division to respond to industry in areas assigned; anticipating problems or barriers to program implementation and developing solutions or alternative courses of action; working to create a measurable difference between division capability at beginning of year vs. year end; responding to deadlines and time requirements in an effective, efficient manner; and assuring that products are of high-quality and achieve the desired affects.
Aerospace Engineer " " " " " "	GM-14 GM-13 (2) GS-12 (2) GS-9 (2)	Analyzing and evaluating existing and proposed state-of-the-are commercial launch vehicles, new satellites and space launch designs, advanced launch facilities and safety equipment with respect to the safety and licensing process; approving licensees for commercial space launches; including verifying requirements and conditions of their licenses, and that all elements of the safety process relating to public safety are in place; managing a sizeable contract for environmental support to determine the potential for environmental impacts from new launch

		vehicle systems and proposed commercial launch sites; recommending for approval/disapproval of research proposals; identifying potential areas where safety standards may be required; establishing safety research needs, specific contract needs; reviewing and directing contract efforts; and developing long-term technical support capability in critical safety areas, budget requests to support the development and regulation of commercial space transportation. technical assessment; performing cost-effectiveness analyses of specific regulations, policies and programs; assisting in the development of safety and insurance requirements; and assessing practicality of issuance of a single license valid for multiple launches of a given type over a period of time.
Special Assistant for External Affairs (Associate Director Program Affairs Division)	GM-15	Carrying-out special controversial or sensitive studies of a non-recurring or overlapping nature concerning matters of particular personal concern to the Director; overseeing staff performance in carrying tasks, responsibilities, and policy determining matters assigned to the division; initiating and representing the Director in meetings with the House and Senate staffs on technical space transportation issues; formulating and coordinating preparation of testimony and other material for hearings on issues involving implementation of the Commercial Space Launch Act; developing, organizing and implementing public education program and policy initiatives to promote support for a commercial space transportation industry; scheduling and supporting the Director in meetings with appropriate Federal, State and local government agencies, as well as with private organizations and industries concerned with specific areas of commercial launch activity; providing executive direction to the Commercial Space Transportation Advisory Committee which advises and assists DOT in performing its lead agency policy-

		determining responsibilities; and acting as primary contact with industry trade press, journals and industry public relations concerning the technical elements of commercial space transportation activities.
Program Management Specialist	GS-13	Promoting DOT's commercial space transportation program; maintaining complete cognizance over all regulatory and policy mandates impacting on the office; planning, evaluation and resource development; accomplishing legislative and regulatory research of issues specific to commercial space transportation; scheduling and managing the logistics for semiannual meetings; and serving as DOT spokesperson on behalf of the office.
Program Specialist	GS-12	Serving as primary point of contact for inquiries related to the commercial space transportation program; senior author of written material relating to the program; developing, implementing and promoting informational materials on the program through trade associations and professional civic organizations; writing or editing articles, publications, speeches or news releases; establishing and maintaining effective working relationships with other government agencies and national organizations; and participating in the development of legislative proposals, as well as analyzing and making recommendations on pending legislation.

*Position being reduced from fiscal year 1990.

COMMERCIAL SPACE TECHNICAL ASSISTANCE

Mr. **Lehman**. Several of the proposed activities for fiscal year 1991 are normal activities of industry. Some examples follow: Assess the demand for space launch services ($180,000); promote the commercial space launch industry to industry ($30,000); promote the commercial space launch industry to the general public ($20,000); and provide a database for economic and policy analyses ($400,000).

The space launch industry in the U.S. is led by some very large firms such as McDonnell-Douglas, Martin Marietta, and General Dynamics. Why is a "technical assistance" program such as that described above needed? They should be helping you?

Ms. **Chao**. I think I can understand why that question is being asked. On the other hand, one also has to recognize that the U.S. commercial launch industry is competing in a world in which there is not perfect competition.

The competition—foreign commercial launch companies—are primarily state-owned. For example, in the latest PRC launch, the subsidy was about $20 million. So while the argument could be made if the subsidy is that big, why the particular small amount? But we are dealing with a number of state-controlled economies, whose launch firms are state-assisted.

Insofar as we don't further deter companies from competing in that arena, I think these will be of help.

Mr. **Lehman**. If you did not help them, they would still have to come up with the money themselves. This would make them less competitive with overseas people; is that what you are trying to say?

Ms. **Chao**. The whole industry, Martin, McDonnell-Douglas, they are all used to working with DOD. As such, I think they are not quite——

Mr. **Lehman**. It is peanuts compared to what they are spending.

Ms. **Chao**. I understand.

Mr. **Lehman**. They would pick this up if you did not do it. But you are trying to make them more competitive by helping?

Ms. **Chao**. Every bit like this counts. We are trying to promote an infant industry. Insofar as these companies don't receive this, I think it is questionable whether they will or not.

For example, we are trying to provide a database for economic policy analysis. It is questionable as to whether the common good of that particular database would have justified development by any one company.

Secondly, these three companies, McDonnell-Douglas, Martin-Marietta and General Dynamics are used to working with the DOD. They should be devoting more resources to the private industry as well.

OCST USER FEES

Mr. **Lehman**. Your justification states that you will institute a user fee for the licensing program beginning in fiscal year 1991. Will you have separate fees for license application, inspections, and accident investigations? If so, what fees are you proposing and what total revenue do you estimate for fiscal year 1991?

[The information follows:]

The total amount of FY 1991 funding expected to be recovered through user fees is $200,000. The Office of Commercial Space Transportation (OCST) plans to assess user fees on applicants for a license authorizing commercial launch activities and on others requesting certain licensing determinations in the absence of an application.

OCST is undertaking a study of various options for implementing the user fee program. The study will address how the amount of the user fee will be determined, the structure and categories of charges, and the circumstances under which user fees may be waived. Factors that will be considered in reaching a final decision in these areas include the potential impact of user fees on newer, entrepreneurial companies; the nature of the activity covered by a license (e.g., single or multiple launches, operation of a launch site or commercial launch facility); and the type of payload (e.g., government or commercial, FCC or NOAA-regulated).

OCST LICENSE REVENUES

Mr. LEHMAN. Are you estimating any revenue from license violations, suspensions, and revocations resulting in fines? If not, why not?

[The information follows:]

We are not estimating any revenue from enforcement actions. To date, we have had no violations which warranted an enforcement action. During this early phase of commercial space transportation, the industry has been very cautious and conscientious about adhering to license terms and conditions. Moreover, because the regulatory process is new to most of the industry, DOT has been very careful to inspect industry operations during this period. The combination of industry diligence and DOT inspections has resulted in a period free from violations. Because there have been no violations requiring enforcement actions to date, there is no actuarial or statistical basis on which to project future total fines.

OCST USER FEES

Mr. LEHMAN. Do you believe it is feasible and reasonable that 100 percent of the operations of this office should be covered by licensing and other user fees? Since the office largely exists to support and promote the industry, why can't the office become self-supporting over time?

Ms. CHAO. It is a little early to say when that office can be supported entirely by user fees, seeing, for example, that we had only two launches in fiscal year 1989. I think that is not a very realistic expectation.

Maybe once the industry becomes internationally competitive they can contribute a greater share, but I think it is unrealistic now.

OCST STUDIES

Mr. LEHMAN. For the record, please provide a description of each of the studies and analyses commissoned by this office for fiscal year 1990 and planned for fiscal year 1991, and state the budgeted cost for each.

[The information follows:]

It should be noted that much of the work represents multi-year contracts.

Contractor	Description	Cost
	Fiscal Year 1990	
SRS	Program Management & Liaison Activities	$269,580
	Monitoring & Inspection Issues	31,673
	Assessment of Compliance Monitoring	40,609
	Feasibility of Space Accident Data Base	17,085
	Concept Study for Tracking Research	18,179
	Compliance Monitoring Support, Quick Response Activities	100,000
	Compliance Monitoring Protocol, Procedures, and Support	80,000
	Tracking Research	60,000
	Inventory of Types of Flight Termination Systems and Test Procedures	30,000
	Insurance Requirements for Remote Ranges	30,000
	Development of Accident Data Base	75,000
ICF	Personnel Certification Data Collection	60,000
	Quick Response Technical Support	100,000
	Management Support	40,000
	Hawaii EIS Consultation Support	30,000
	Astrotech Safety Review	100,000
	Personnel Cert. Regulatory Survey	71,000
	Procurement	32,000
	Site Operator's License Development	101,000
	Operator's Certificate Development	54,000
	MPL Guidelines/Standards/Assessment	29,000
	Insurance Impact Analysis	42,000
	Site Operator's Regulatory Support	18,000
	Enforcement Options	20,000
	Regulatory Update	20,000
	Personnel Certification Development	40,000
	User's Fee Development	45,000

Contractor	Description	Cost
RTI	Technical Support for License Application Review	272,376
	On-Orbit & Reentry Safety	102,194
	Astrotech Safety Review	68,894
	White Sands Missile Range (and other ranges) Commercial Launch Baseline Assessments	120,000
	Launch Siting Criteria	60,000
	Payload Evaluation	60,000
To be determined	Environmental Analysis	60,000
	Fiscal Year 1991	
RFP to be issued	Technical support for regulatory issues, risk analyses, licensing actions, payload/launch criteria	300,000
SRS	License, inspection, enforcement, tracking system, risk analysis model	435,000
ICF	Risk management	600,000
RFP to be issued	Commercial flight safety	490,000
RFP to be issued	Environmental analysis	200,000
RFP to be issued	Program support—industry and public liaison activities, including conferences	60,000
RFP to be issued	Office Management	100,000
RFP to be issued	Program support—safety management	300,000
CTI	Economic and policy analysis	500,000
To be determined	Economic and policy analysis	219,000

COMMERCIAL SPACE CONTRACTS

Mr. LEHMAN. Please also update the data on commercial space contracts, as shown on pages 697–700 of last year's hearing record, by updating 1989 and 1990 and adding 1991 estimates.

[The information follows:]

Much of the work represents multi-year contracts for technical support of on-going regulatory issues, inspections, and enforcement activities.

Contractor	Purpose/work product	Contractor Compl. Date (FY)	Cost
1989			
Research Triangle	Technical support for regulatory issues, risk analyses, licensing actions, payload/launch criteria	——	$450,000
Transportation Systems Center	Project integration, license support, standards development, enforcement procedures	*	$528,000
Peer	Environmental analysis	——	$ 49,000
SRS	License, inspection, enforcement tracking system, risk analysis model	1993	$465,000
Blazetech	Comparative analysis of accidents in transportation modes with potential launch accidents	1990	$ 10,000
ICF	Risk management	1992	$369,000
Design Solutions	Document storage and retrieval	1990	$ 24,000
CTI	Economic and policy analysis	1993	$145,000
Hemispheric Business Network	Resource directory	1990	$ 10,000
Clifford Allen	Educational initiative	1990	$ 25,000

1990

Research Triangle	Technical support for regulatory issues, risk analyses, licensing actions, payload/launch criteria	——	$680,000
SRS	License, inspection, enforcement tracking system, risk analysis model	——	$535,000
ICF	Risk management	——	$600,000
Design Solutions	Computerized document storage	——	$ 75,000
CTI	Economic and policy development	——	$400,000
Not yet determined	Commercial flight safety	1994	$200,000
Not yet determined	Environmental analysis	1994	$200,000
Not yet determined	Program support—industry and public liaison activities, including conferences	1991	$ 50,000

1991

RFP to be issued	Technical support for regulatory issues, risk analyses, licensing actions, payload/launch criteria	——	$300,000
SRS	License, inspection, enforcement tracking system, risk analysis model	——	$435,000
ICF	Risk management	——	$600,000
RFP to be issued	Commercial flight safety	——	$490,000
RFP to be issued	Environmental analysis	1994	$200,000
RFP to be issued	Program support—industry and public liaison activities, including conferences	1991	$ 60,000
RFP to be issued	Office management	1993	$100,000
RFP to be issued	Program support—safety	1995	$300,000
CTI	Economic and policy analysis	——	$500,000
To be determined	Economic and policy	——	$219,000

* General Work Agreement with annual authorization.

TPR&D CONTRACTS

Mr. **Lehman**. For the record, please list the five largest TPR&D contractors for fiscal year 1989 and the amounts paid to each. Please also list the projects each contractor worked on. Similar data is found on page 693 of last year's hearing record.

[The information follows:]

Policy office:	
Research and Special Programs Administration:	
Aviation information management	$402,718
International Passenger Data Program (TSC)	180,000
Electronic tariff filing (TSC)	300,000
Census Bureau: Imports and exports by air carrier, country-of-origin/destination and district of entry exportation (magnetic tape)	7,100
U.S. Department of State: Expenses associated with arbitration of the user charges and dispute between U.S. and United Kingdom Government	50,000
Commercial Space Office:	
Research Triangle: Technical support for regulatory issues, risk analyses, licensing actions, payload/launch criteria	450,000
Transportation Systems Center: Project integration, license support, standards development, enforcement procedures	528,000
SRS: License, inspection, enforcement tracking system, risk analysis model	465,000
ICF: Risk management	369,000
CTI: Economic and policy analysis	145,000

UNIVERSITY CONTRACT AWARDS

Mr. **Lehman**. Also for the record, please update the listing of university contracts awarded under your university research and internships program, as shown on page 696 of last year's hearing record. Be sure to include the asterisk for HBCUs.

[The information follows:]

BUDGET AUTHORITY

[In thousands of dollars]

	1989 enacted	1990 enacted	1991 request
Contracts	167	262	200
Grants (reimbursable):			
From UMTA	5,000	5,000	5,000
From FHWA		5,000	5,000

Because of funding constraints, the $167 thousand enacted in FY 1989 was redirected to cover personnel costs, and the University Research Program did not fund any contracts in that year. None of the funds appropriated for contracts in FY 1990 have been awarded to date.

In FY 1991, assuming that sufficient funds will be appropriated to cover personnel costs, $200 thousand is requested for contract studies in such areas as: (1) peak period or congestive pricing to ensure the most effective use of transportation resources, (2) issues related to the economics of emerging transportation technologies such as intelligent vehicle highway systems and high speed rail, (3) human factors safety related research, (4) measures to reduce environmental damage from transportation accidents, (5) issues related to effective implementation of the Clean Air Act, (6) measures to conserve energy.

In addition, the program provides administrative support for the University Transportation Centers Program, a grant program which was authorized by the Surface Transportation and Uniform Relocation Assistance Act of 1987 (P.L. 100-17). The purpose of the program is to provide assistance to colleges and universities to establish and operate transportation centers in each of the ten standard regions to conduct multi-modal research and training concerning the transportation of people and goods.

In September 1988 ten centers, selected in a national competition, were established with the participation of 68 universities nationwide, which includes seven minority institutions (five of which were HBCU's). A total of $5 million in grant awards were made by OST through a reimbursable agreement with UMTA in each of fiscal years 1988 and 1989 with an additional $5 million enacted in 1990 and requested in fiscal year 1991. In addition, FHWA began to fund this program on a reimbursable basis with $5 million enacted in FY 1990, and has requested an additional $5 million in FY 1991.

In FY 1990, each center will receive grant awards of about $1 million each. To date, advances of FY 1990 awards have been made to Pennsylvania State University ($130,000) and the University of California, Berkeley ($142,115).

FISCAL YEARS 1988 and 1989 (EACH YEAR) [1]

Region	Lead university	Funding
I	Massachusetts Institute of Technology	$500,000
II	The City University of New York	500,000
III	The Pennsylvania State University	500,000
IV	University of North Carolina	500,000
V	University of Michigan, Ann Arbor	500,000
VI	Texas A&M University	500,000
VII	Iowa State University	500,000
VIII	North Dakota State University	500,000
IX	University of California, Berkeley	500,000
X	University of Washington	500,000

[1] Funding for each region in fiscal year 1990 will be about $1 million.

Note.—The HBCU's cited on the previous page were:
1. Morgan State (MD). 2. North Carolina A&T State University. 3. North Carolina Central University. 4. Central State University (OH). 5. Texas Southern University.

TPR&D VS RSPA'S OFFICE OF RESEARCH AND TECHNOLOGY

Mr. LEHMAN. How does the mission and responsibilities of OST's TPR&D program differ from RSPA's Office of Research and Technology, and why shouldn't the two offices be merged to reduce overhead costs and improve coordination?

[The information follows:]

The TPR&D program provides support for the development of overall transportation policy in the Department. It includes policy studies of specific issues and national transportation planning, and develops information needed to support the Secretary's responsibilities in the formulation of national transportation policies. It covers transportation regulatory policy, international and domestic transportation policy, transportation economic policy, airline tariff automation, and university research and internships.

RSPA's major programs relate to pipeline safety, hazardous materials, and emergency transportation. RSPA's Research and Technology program is a relatively small portion of their overall budget and supports the analysis of technical issues related to the Department's research policy. This program includes technical assistance, technology sharing, development of technical data bases, and supports a document distribution center. The largest portion of the budget expenses covers the Department's contribution to the Development of a Federal Radio Navigation Plan and Global Positioning System analysis and integration. This office was previously located in the Office of the Secretary. Funding and staffing was transferred to RSPA in the Conference Report accompanying the FY 1988 DOT Appropriations Bill.

Thus, the two offices perform different functions and support different aspects of the Department's overall program and policy development. The research activities in both offices are small and not the prime focus of either offices' work. Moreover, there would not be any cost savings if the two offices were merged because those who are involved in the research aspects of their respective offices perform other functions and would still need to be retained.

INTELLIGENT VEHICLE/HIGHWAY SYSTEMS STUDY

Mr. LEHMAN. You are proposing a $320,000 study on the "economic impact of Intelligent Vehicle/Highway Systems". Given the relative immaturity of such technologies and the fact that only modest investment has been committed thus far to IVHS, isn't such a study premature?

Ms. CHAO. I don't think so because FHWA has participated in the past—with CALTRANS, for example—in developing the intelligent highway vehicle system. General Motors is also involved. They contributed a number of new cars to CALTRANS and FHWA.

We have developed a radar screen to go into the cars. Given the congestion problems we are now facing on the surface roads and given the increasing realization that we cannot build more lanes to accommodate all of the increasing traffic, we must rely more on ways to work within the existing capacity while that capacity is being expanded.

We are looking at intelligent vehicles, synchronization of lights, HOV lanes. This is part of our whole package to reduce surface congestion.

Mr. LEHMAN. In California I read about a highway where signs flash up and tell you when to get off and on and which exits to take.

Ms. CHAO. That is a demo-project.

Mr. LEHMAN. Did you hear there might be a demo-project in Florida like that?

Ms. CHAO. We will look into it.

Mr. LEHMAN. Virginia has one, don't they?

Ms. CHAO. I don't know.

Ms. MOORE. They have enhancements?

Ms. CHAO. The problems with all those signs is the maintenance. Maintenance is a problem.

Mr. LEHMAN. I was traveling in Western Europe. The signs tell you how fast to go to be most effective.

Ms. CHAO. California has the ramp regulators. Before you get on the ramp on the highway there are lights which regulate the flow. We have to use mechanisms like that to help with the congestion. This is part and parcel of the effort.

Mr. LEHMAN. Should the industry spend more on this than you do? Are they involved?

Ms. MOORE. Our investment makes a statement to the industry that the government is very serious and that will serve as an encouragement for them to move forward as well. The Secretary has been out to Detroit and so have Jerry Curry and others to talk to auto makers about our initiative and encourage evolution along these lines.

Given the safety and economic benefits associated with the technology we think our involvement will help facilitate that.

AIRPORT CAPACITY ANALYSIS STUDY

Mr. LEHMAN. What are your objectives for the study "Airport Capacity Analysis" described on page 77, and why shouldn't such a study be done by the FAA or by industry?

[The information follows:]

The airport analysis studies relate to peak period pricing policy. Peak period pricing is frequently advocated as a way of achieving a more efficient use of existing capacity. However, there are many questions to be addressed concerning the conditions under which peak period pricing would be useful and how this concept should be applied. It is appropriate for OST to conduct these studies because they relate to the economic impact on various sectors of the aviation industry and may affect international agreements.

TPR&D TRAVEL COSTS

Mr. LEHMAN. Under salaries and expenses for TPR&D, you are requesting $125,000 for travel for the 23 permanent positions of this office. That averages $5,435 in travel per employee. How does that compare to the per capita travel costs of the other offices within OST?

[The information follows:]

The Policy Office's FY 1991 TPR&D travel request is for $24,000, the same as the FY 1990 enacted level. The $125,000 referenced above is requested for all administrative costs and includes: travel; ADP support for flight delay investigations, computer reservation system, and data collection for merger cases; and payments to the Working Capital Fund for prorated costs charged to the TPR&D appropriation (i.e., printing, reproduction, library services, etc.).

The per capita travel costs for 497 OST Salaries and Expenses professional employees averages $1,072 and for 21 TPR&D professional employees is $1,143.

TPR&D FUNDING

Mr. LEHMAN. For fiscal year 1991, you are estimating obligations of $10 million for this office. Excluding the $1.8 million budgeted for administrative expenses, what percentage of the remaining $8.2 million is expected to be contracted out to universities or other organizations?

[The information follows:]

For fiscal year 1991, 75 percent of the remaining $8.2 million is expected to be contracted out to universities or other organizations.

TPR&D ADMINISTRATIVE BREAKOUT

Mr. LEHMAN. For the record, please provide a detailed breakdown of the salaries and administrative expenses of this office for fiscal years 1989, 1990, and 1991.

[The information follows:]

OFFICE OF POLICY AND INTERNATIONAL AFFAIRS—TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

[In thousands of dollars]

	Fiscal year—		
	1989 actual	1990 estimate	1991 estimate
Administrative expenses:			
Personnel compensation	1,672	1,473	1,485
Benefits	195	208	197
Travel	21	24	24
Administrative support	2	93	101
Total	1,890	1,798	1,807

WCF STAFFING

Mr. LEHMAN. Please update for the record the WCF staffing data appearing on page 712 of last year's hearing record by deleting 1981 and adding 1991.

[The information follows:]

WORKING CAPITAL FUND STAFFING

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Authorized positions	420	464	332	346	318	309	309	311	311	319
FTE ceiling	400	443	331	330	314	291	308	317	317	325
End-of-year FTP	344	352	271	299	279	284	301	306	311	319

WCF REIMBURSABLE BREAKOUT

Mr. LEHMAN. Please also update for the record the data on WCF reimbursements by mode as shown on page 713 of last year's hearing record by updating 1989 and 1990 and adding 1991 estimates.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
WORKING CAPITAL FUND
DISTRIBUTION OF COSTS BY MODE - FY 1989 ACTUAL
(DOLLARS IN THOUSANDS)

WCF ACTIVITY	OST	USCG	FAA	FHWA	FRA	NHTSA	UMTA	SLSDC	MARAD	RSPA	OIG	OTHER	TOTAL
PRINTING	$318	$2,996	$5,270	$1,183	$208	$910	$228	$7	$196	$364	$33	$11	11,724
PHOTO	71	95	134	103	7	84	9	3	21	4	1	2	536
GRAPHICS	105	82	370	230	18	154	23	13	27	18	4	4	1,048
DISTRIBUTION	121	346	530	162	13	105	12	4	3	32	1	0	1,331
TYPOGRAPHY	32	14	71	21	4	33	5	1	6	10	6	2	205
COPY MANAGEMENT	104	193	209	71	20	37	6	3	33	21	2	0	699
HOT COPY	253	247	329	264	60	132	68	3	113	40	42	51	1,602
BUILDING MANAGEMENT	489	368	598	337	99	207	114	5	173	60	59	46	2,555
HEADQUARTERS SPACE RENTAL	5,151	9,197	14,354	5,166	1,407	3,187	1,849	124	2,908	1,066	908	552	45,869
PARKING	18	42	59	21	4	10	5	0	8	3	3	5	178
CHAUFFEUR	209	6	119	24	11	11	8	0	35	10	0	5	438
SHUTTLE BUS	17	91	13	0	2	1	1	0	2	0	0	21	148
WAREHOUSE	141	154	272	120	24	218	31	0	32	32	0	53	1,077
MAIL	113	277	386	133	28	63	32	2	52	21	21	11	1,139
HEALTH	98	39	27	96	40	75	31	0	47	10	0	0	463
OSHA	11	25	35	12	2	6	3	0	5	2	2	0	103
CEIO	12	15	37	16	2	7	4	0	4	3	3	0	103
IMPREST FUND	9	14	75	17	3	6	3	0	7	3	2	4	143
COMMUNICATIONS	497	1,170	1,600	554	124	283	162	6	245	105	80	19	4,845
FTS	356	801	909	361	92	213	134	7	184	81	47	42	3,227
SECURITY & INVESTIGATIONS	152	449	443	173	58	106	58	3	104	30	34	98	1,708
BUILDING SECURITY	179	650	606	203	67	125	69	4	122	37	40	127	2,229
EXECUTIVE PROTECTION	12	0	0	0	0	0	0	0	0	0	0	0	12
PASSPORTS & VISAS	3	11	43	2	0	0	0	0	1	1	0	0	61
UNEMPLOYMENT COMPENSATION	64	542	863	113	197	31	33	10	51	30	8	0	1,944
FEDERAL LABORATORY CONSORTIUM	0	1	12	0	1	1	0	0	0	0	0	0	15
SINGLE AUDIT CLEARINGHOUSE	0	0	8	8	0	7	7	0	0	0	0	0	30
CONSOLIDATED FED. FUNDS REPORT	0	7	7	22	0	0	7	0	0	0	0	0	43
MILITARY POSTAL SERVICE	0	0	41	3	1	1	1	0	0	0	0	0	47
LIBRARY	493	559	770	427	163	206	132	10	389	123	83	129	3,568
TRANSPORTATION COMPUTER CENTER	3,553	4,712	133	7,414	38	34	2,377	3	2,112	854	31	9	21,270
COMPUTER TIME SHARE	226	126	2,688	1	229	42	46	0	83	17	1	0	3,459
DAFIS - DEVELOPMENT	0	0	0	0	0	0	0	0	0	0	0	5,893	5,893
UNIFORM PROCUREMENT MGMT SYSTEM	0	0	1	0	0	0	0	0	0	0	0	0	1
TOTAL	$12,807	$23,229	$31,012	$17,257	$2,922	$6,375	$5,460	$210	$6,965	$2,979	$1,413	$7,084	$117,713

BRIDGE FROM COSTS TO OBLIGATIONS:	
LESS DEPRECIATION COSTS	(2,345)
ADD CAPITALIZED COSTS	7,458
ADD ADJUSTMENT FOR UNDELIVERED ORDERS	4,634
TOTAL OBLIGATIONS REQUESTED	$127,460

DEPARTMENT OF TRANSPORTATION
WORKING CAPITAL FUND
DISTRIBUTION OF COSTS BY MODE - FY 1990
(DOLLARS IN THOUSANDS)

WCF ACTIVITY	OST	USCG	FAA	FHWA	FRA	NHTSA	UMTA	SLSDC	MARAD	RSPA	OIG	OTHER	TOTAL
PRINTING - IN-HOUSE	$188	$381	$1,554	$217	$47	$227	$89	$3	$80	$66	$11	$5	2,868
PRINTING - CONTRACTED	203	1,838	2,775	473	76	373	96	1	89	110	21	7	6,062
PHOTO - IN-HOUSE	42	46	95	94	1	16	10	5	6	1	1	3	320
PHOTO - CONTRACTED	44	15	64	21	2	134	3	3	19	1	0	5	311
GRAPHICS - IN-HOUSE	75	19	173	85	14	44	9	6	23	10	2	4	464
GRAPHICS - CONTRACTED	93	27	300	147	32	69	17	2	16	6	1	3	713
DISTRIBUTION	155	447	852	176	33	336	26	6	13	33	2	0	2,079
TYPOGRAPHY	25	14	62	35	4	33	5	0	12	8	5	0	203
COPY MANAGEMENT	168	309	136	114	31	58	10	4	54	33	3	0	920
HOT COPY (N)	173	0	0	257	53	122	62	3	104	40	40	0	854
HOT COPY (T)	0	153	0	0	0	0	0	0	0	0	0	0	153
HOT COPY (10A)	0	0	264	0	0	0	0	0	0	0	0	0	264
BUILDING MANAGEMENT	189	583	913	281	58	135	67	3	115	43	44	55	2,486
HQ SPACE CONSOLIDATION TEAM	105	323	505	155	32	75	37	2	63	24	24	0	1,345
HEADQUARTERS SPACE RENTAL	6,108	11,090	19,289	6,178	1,879	3,798	2,208	147	3,466	1,569	1,096	0	56,828
PARKING	32	100	156	48	10	23	11	1	19	7	7	10	424
CHAUFFEUR	421	7	183	52	29	31	21	0	83	21	0	0	848
SHUTTLE BUS	19	104	15	0	2	1	1	1	2	0	0	59	204
WAREHOUSE	127	139	246	108	21	196	29	0	29	29	0	48	972
MAIL	110	338	530	163	34	78	39	2	66	25	25	0	1,410
HEALTH (N)	78	31	21	78	34	59	25	0	37	9	1	2	375
HEALTH (T)	0	81	0	0	0	0	0	0	0	0	0	0	81
HEALTH (10A)	0	0	158	0	0	0	0	0	0	0	0	0	158
OSHA	4	12	16	6	1	3	2	0	2	1	1	0	48
CHIO	17	19	48	20	3	9	5	0	6	4	4	0	135
DAY CARE CENTERS	3	180	210	15	2	3	2	1	4	3	2	0	425
IMPREST FUND	9	15	75	20	4	8	3	0	8	3	3	6	154
COMMUNICATIONS	724	2,002	2,543	941	223	486	277	13	412	167	147	42	7,977
FTS	471	1,073	1,222	473	135	302	179	9	251	103	77	56	4,351
SECURITY & INVESTIGATIONS	107	328	515	158	33	76	38	2	64	24	25	53	1,423
BUILDING SECURITY (N)	206	0	0	305	63	147	74	3	123	47	47	34	1,049
BUILDING SECURITY (T)	0	846	0	0	0	0	0	0	0	0	0	8	854
BUILDING SECURITY (10A)	0	0	803	0	0	0	0	0	0	0	0	51	854
EXECUTIVE PROTECTION	162	0	0	0	0	0	0	0	0	0	0	0	162
PASSPORTS & VISAS	3	14	55	3	1	0	0	0	1	1	0	0	78
UNEMPLOYMENT COMPENSATION	72	181	704	86	75	7	14	7	30	21	3	0	1,200
FEDERAL LABORATORY CONSORTIUM	0	1	13	0	1	1	0	0	0	0	0	0	16
SINGLE AUDIT CLEARINGHOUSE	0	0	8	8	0	8	8	0	0	0	0	0	32
CONSOLIDATED FED. FUNDS REPORT	0	9	8	25	0	0	8	0	0	0	0	0	50
PRES. COUNCIL ON MGMT IMPROVEMENT	1	1	2	1	0	0	0	0	0	0	0	0	5
MILITARY POSTAL SERVICE	1	0	39	3	1	1	1	0	1	1	0	0	48
LIBRARY	501	412	718	381	157	252	143	14	372	116	92	111	3,269
TRANSPORTATION COMPUTER CENTER	3,660	5,548	400	11,180	36	50	3,157	14	2,925	923	48	22	27,963
DAFIS - DEVELOPMENT	0	0	0	0	0	0	0	0	0	0	0	5,580	5,580
DAFIS - OPERATIONS	0	726	1,856	0	0	41	0	0	0	0	0	0	2,623
TOTAL	$14,296	$27,412	$37,526	$22,307	$3,127	$7,202	$6,676	$252	$8,495	$3,449	$1,732	$6,164	$138,638

BRIDGE FROM COSTS TO OBLIGATIONS:	
LESS DEPRECIATION COSTS	(2,909)
ADD CAPITALIZED COSTS	1,558
TOTAL OBLIGATIONS REQUESTED	$137,287 1/

1/ Includes new appropriated funds of $4,441.

DEPARTMENT OF TRANSPORTATION
WORKING CAPITAL FUND
DISTRIBUTION OF COSTS BY MODE - FY 1991
(DOLLARS IN THOUSANDS)

WCF ACTIVITY	OST	USCG	FAA	FHWA	FRA	NHTSA	UMTA	SLSDC	MARAD	RSPA	OIG	OTHER	TOTAL
PRINTING - IN-HOUSE	$200	$424	$1,729	$241	$53	$252	$99	$3	$89	$73	$12	$6	$3,190
PRINTING - CONTRACTED	200	1,809	2,732	465	75	368	94	1	88	108	20	7	5,967
PHOTO - IN-HOUSE	45	50	102	102	1	18	11	6	7	1	1	3	347
PHOTO - CONTRACTED	46	16	86	22	2	137	3	3	19	1	0	5	320
GRAPHICS - IN-HOUSE	78	20	181	89	14	46	10	6	24	11	2	4	465
GRAPHICS - CONTRACTED	106	31	343	167	37	79	19	3	19	7	1	3	815
DISTRIBUTION	167	401	919	189	35	369	27	7	14	35	2	0	2,245
TYPOGRAPHY	25	15	64	36	4	35	6	0	12	0	5	0	219
COPY MANAGEMENT	217	402	177	149	41	76	13	5	69	43	4	0	1,196
HOT COPY (N)	302	0	0	448	93	215	107	5	101	69	69	0	1,409
HOT COPY (T)	0	284	0	0	0	0	0	0	0	0	0	0	284
HOT COPY (10A)	0	0	400	0	0	0	0	0	0	0	0	0	400
BUILDING MANAGEMENT	197	605	948	292	60	140	78	3	118	45	45	57	2,580
HQ SPACE CONSOLIDATION TEAM	134	413	647	188	41	86	48	2	88	31	31	0	1,721
HEADQUARTERS SPACE RENTAL	6,352	11,533	20,001	6,000	1,856	3,940	3,297	153	3,006	1,631	1,140	0	50,076
PARKING	85	100	100	52	11	25	12	0	21	8	8	10	450
CHAUFFEUR	433	7	189	54	30	32	21	0	85	22	0	0	873
SHUTTLE BUS	19	106	16	0	2	1	1	0	2	0	0	60	207
WAREHOUSE	142	155	273	120	24	219	32	0	32	32	0	53	1,082
MAIL	125	383	600	185	38	89	44	2	74	26	29	0	1,597
HEALTH (N)	75	30	20	75	32	57	24	0	36	8	1	2	360
HEALTH (T)	0	85	0	0	0	0	0	0	0	0	0	0	85
HEALTH (10A)	0	0	133	0	0	0	0	0	0	0	0	0	133
OSHA	4	13	17	6	1	3	2	0	2	1	1	0	50
CEIO	19	21	55	23	3	11	6	0	6	5	5	0	154
DAY CARE CENTERS	2	134	157	11	2	2	1	1	3	3	2	0	318
IMPREST FUND	10	16	79	20	4	9	3	0	8	4	3	6	162
COMMUNICATIONS	698	1,920	2,449	906	215	468	267	12	396	161	141	41	7,682
FTS	471	1,074	1,222	473	135	302	178	9	251	103	77	56	4,351
SECURITY & INVESTIGATIONS	117	360	563	174	36	83	42	2	70	27	27	50	1,559
BUILDING SECURITY (N)	213	0	0	316	65	152	76	3	127	49	49	35	1,085
BUILDING SECURITY (T)	0	876	0	0	0	0	0	0	0	0	0	8	884
BUILDING SECURITY (10A)	0	0	831	0	0	0	0	0	0	0	0	53	884
EXECUTIVE PROCTECTION	113	0	0	0	0	0	0	0	0	0	0	0	113
PASSPORTS & VISAS	3	15	59	3	1	1	0	0	1	0	0	0	83
UNEMPLOYMENT COMPENSATION	72	181	704	86	75	7	14	7	30	21	3	0	1,200
FEDERAL LABORATORY CONSORTIUM	1	1	13	0	1	1	0	0	0	0	0	0	17
SINGLE AUDIT CLEARINGHOUSE	6	0	8	9	0	8	8	0	0	0	0	0	33
CONSOLIDATED FED. FUNDS REPORT	0	9	9	26	0	0	9	0	0	0	0	0	53
PRES. COUNCIL ON MGMT INITIATIVES	1	1	2	1	6	0	0	0	0	0	0	0	5
MILITARY POSTAL SERVICE	1	0	39	3	1	1	1	0	1	1	0	0	40
PAYROLL DEVELOPMENT	0	0	0	0	0	0	0	0	0	0	0	2,000	2,000
LIBRARY	543	446	778	412	170	273	154	16	403	126	99	121	3,541
TRANSPORTATION COMPUTER CENTER	4,032	6,229	809	12,141	43	74	3,284	15	3,071	881	55	31	30,775
DAFIS - DEVELOPMENT	0	0	0	0	0	0	0	0	0	0	0	5,376	5,376
DAFIS - OPERATIONS	90	2,126	3,057	0	63	70	35	0	0	0	0	0	5,441
UNIFORM PROCUREMENT MGMT SYSTEM	0	0	0	0	0	0	0	0	0	0	0	1,741	1,741
OFFICE AUTOMATION	0	0	0	0	0	0	0	0	0	0	0	1,140	1,140
ADMIN. SYSTEM IMPROVEMENT PROGRAM	0	0	0	0	0	0	0	0	0	0	0	600	600
TOTAL	$15,287	$30,387	$40,710	$23,895	$3,363	$7,667	$7,018	$264	$8,944	$3,653	$1,832	$11,476	$154,506

BRIDGE FROM COSTS TO OBLIGATIONS:

LESS DEPRECIATION COST	(2,694)
ADD CAPITALIZED COSTS	5,443
TOTAL OBLIGATIONS REQUESTED	157,255 1/

1/ Includes new appropriated funds of $10,446.

DOT ADVISORY COMMITTEE BREAKOUT

Mr. Lehman. Please also update the listing and cost data for DOT advisory committees shown on page 717 of last year's hearing record by deleting 1988, updating 1990, and adding 1991 estimates.

[The information follows:]

DEPARTMENT OF TRANSPORTATION ADVISORY COMMITTEES

Administration/Committee name	1989 actual	1990 estimate	1991 estimate
FHWA:			
Commercial Motor Vehicle Safety Reg. Review Panel [1]	$15,000	$15,000	$15,000
National Motor Carrier	40,000	40,000	40,000
Subtotal	55,000	55,000	55,000
NHTSA:			
Motor Vehicle Safety Research	360	500	500
National Driver Register [1]	0	21,000	21,000
Subtotal	360	21,500	21,500
CG:			
Chemical Transportation	2,430	2,500	2,500
Coast Guard Academy [1]	7,500	8,000	8,000
Hou. Galveston Nav. Sfty.	849	850	850
Lower Miss. Waterway Sfty.	2,486	2,500	2,500
National Boating Safety [1]	22,200	22,600	25,000
National Offshore Safety	500	600	600
NY Harbor Traffic Mgmt.	2,250	2,500	2,500
Rules of the Road [1]	17,000	32,000	50,000
Towing Safety [1]	5,750	3,800	3,800
Comm. Fishing Industry [1]	30,000	31,500	31,500
Subtotal	90,965	106,850	127,250
FAA:			
Air Traffic Procedures	2,518	400	5,000
Radio Tech. Comm./Aeronautic	81,000	81,000	75,000
Natl. Aviation Security	0	10,000	15,000
Air Trans. Pers. & Trng. Qual	0	1,000	1,500
Airport Capacity	0	1,000	2,000
Aviation Rulemaking	0	0	2,500
Subtotal	83,518	93,400	101,000
RSPA:			
Technical Hazardous Liquid Pipeline Safety [1]	10,000	10,000	20,000
Tech. Pipeline Safety Stds. [1]	10,000	10,000	20,000
Subtotal	20,000	20,000	40,000
OST:			
Comm. Space Transportation	2,631	6,000	3,700
Electronic Tariff	150	250	500
Minority Business Res. Ctr. [1]	454	6,150	6,150
Handicapped Parking [2]	0	2,000	2,000
Aviation Security and Terrorism	0	1,000,000	0
Subtotal	3,235	1,014,400	12,350
Earmarked: New Committees		88,850	17,900
Grand total	253,078	1,400,000	375,000

[1] Required by statute.

[2] Required by committee report.

WCF BUDGET INCREASE

Mr. **Lehman**. You are requesting a $20 million or 15 percent increase in the WCF in fiscal year 1991. This follows a $10 million or 8 percent increase last year. Why are such continued large increases necessary?

Ms. **Moore**. Again, on the working capital fund, if you compare the request for the obligation limitation to what we requested last year, it is a very, very modest increase, about 1.6 percent over our request last year. Yes, the total request—including the direct appropriation—is a 15 percent increase versus the enacted amount, again reflecting the reductions that we took in the working capital fund, nearly $7 million, when the working capital fund budget was enacted.

So part of this, as I mentioned earlier, is catch-up ball. Of course, we are the only department with limitation on working capital funds. We have a working capital fund advisory group from the modes that assures that the expenditures the working capital fund makes are responsive to the modes; that it supports activities that are cost-effective and can be more cost-effectively done through the WCF rather than through individual modes.

Part of that increase is to catch up. There is a variety of projects that we are supporting this year, a development of a consolidated payroll and personnel and information system, a uniform procurement management system. That is where we are looking for two additional FTE to make more consistent our procurement approaches across the modes.

This will address some of the procurement issues you have raised previously today. We are looking to enhance some of our system security. It is an internal control issue. We need to address that. There is an increase in office automation again partially to reflect the catch-up that we need to undertake this year.

DOT BUDGET AUTHORITY CHART

Mr. **Lehman**. For the record, provide a chart comparing the percentage change in budget authority for the DOT-related agencies overall and for the WCF for each of the past five fiscal years.

[The information follows:]

WORKING CAPITAL FUND LIMITATION/DOT BUDGET

Fiscal year	WCF limitation	Percentage increase	DOT budget authority	Percentage increase
1986	$64.500K		$28,079M	
1987	65,500K	1.6	26,110M	−7.0
1988	[1] 127,801K	95.1	27,169M	4.1
1989	130,350K	2.0	28,455M	4.7
1990	137,641K	5.6	30,177M	6.1

[1] The majority of the increase over fiscal year 1987 reflects the addition of the following functions to the Working Capital Fund:
DOT Headquarters rental payments, $50,007K*.
Building maintenance services, $3,937K*.
DOT unemployment comp. payments, $3,000K*.
*FY 1988 enacted

DOT PLANNED EXPANSIONS/INITIATIVES

Mr. LEHMAN. Of the recommended increase, $11.7 million is to expand ongoing programs or initiate new programs. Please provide a detailed breakdown of those planned expansions/initiatives and explain why each is necessary.

[The information follows:]

The FY 1991 request level of $157,255,000 reflects an increase of $19,968,000 over the FY 1990 budget. Of this amount, $18,811,000 is associated with new or expanded programs deferred from FY 1990 and FY 1991 new or expanded programs. The following is a detailed breakdown of all of these programs.

- Printing & Graphics - $832,000
  Increase needed to accommodate the level and quality of printing and graphic services required and demanded by the operating administrations.

- Headquarters Space Design - $436,000
  Increase needed to support the continued effort of the Headquarters Space Project Office to coordinate all efforts necessary to obtain a new building with suitable space for housing Departmental Headquarters' elements in the future. Due to the lease expirations in two of three headquarters buildings, DOT and GSA need to complete this project within a relatively short period to avoid costly interim lease agreements.

- Payroll System Upgrade - $2,000,000
  Funds requested to upgrade the DOT personnel and payroll systems which were reported as a material weakness in the 1989 FMFIA report to the President. These systems are independent, outdated and do not meet existing or future DOT requirements. Upgrade will integrate both systems and make them compatible with the new Departmental Accounting and Financial Information System (DAFIS).

- Integrated Services Digital Network (ISDN) - $600,000
  Funds requested to upgrade the DOT headquarters telephone system to meet ISDN standards, which GSA's FTS-2000 is designed around. ISDN services will, at dramatically lower cost than now possible, permit the handling of voice, data and video information on an integrated basis over the facilities of GSA's FTS-2000 network and other private sector networks.

- Communication Upgrades - $600,000
  DOT is the second largest government telecommunication user behind the Department of Defense. The SL-100 digital switches resident in DOT headquarters allow for growth and enhancements through the addition of equipment and software to the original configuration. Increase needed to accommodate the addition of equipment and software for services required and demanded by the operating administrations.

- Library Modernization Efforts - $118,000
  Funding requested to improve library science applications, such as automated indexing and literature searches that utilize advanced equipment and technology and reduce stock space.

- Administrative System Improvement Program (ASIP) - $600,000
  Funds requested to begin efforts to establish a single, integrated financial management system architecture for the Department. This architecture will outline a long term system plan to provide a blueprint for future Departmental financial management and subsidiary systems (e.g., property, grants, etc.) modernization. ASIP will result in less costly development, maintenance and operation of administrative systems; more timely and consistent information at all reporting levels; availability of executive level management information; improved operating efficiency through single source data capture and integrated sharing and standardized data; and compliance with OMB Circular A-127.

- Uniform Procurement Management System (UPMS) - $1,741,000
  Funds requested to develop a single integrated Departmental Procurement System that will meet all Departmental needs and be compatible with the DAFIS. This system has been strongly recommended by the DOT IG who has criticized the Department's numerous independent procurement systems. This system will strengthen internal controls, enhance operational capabilities, and increase the opportunity to detect fraud waste and abuse.

- Office Automation - $1,140,000
  Funds requested to continue the development of integrated automated capabilities for all of OST. Currently, only 36 percent of OST has this capability. Automation will improve OST's management and oversight functions and will increase the response time to the Operating Administrations, Congress, central agencies and the public. To date, we have had to use small amounts of reprogrammed monies to provide scattered automation. This piecemeal approach is costly, short-sighted and not fully effective, and keeps OST behind its own operating administrations in regard to ADP capability.

- Tape Cartridge System - $300,000
  Increase is needed to implement new tape cartridge technology for our Departmental Computer Center to provide the operating administrations faster and better quality tape drive service.

- Automated Information Systems Security (AISS) Program - $400,000
  Funding requested to support a Departmental AISS program to ensure the security and integrity of mission-essential automated information systems and to protect all critical information resources from accidental or deliberate unauthorized access, modification, disruption or destruction. The AISS staff will actively be involved in computer security, communication security, information security, physical security, personnel security, emanation security, internal controls and records management.

- Computer Upgrade- $4,623,000
  Increase requested to upgrade the Department's Computer Center CPU configuration which is required to provide the processing capacity needed to accommodate FY 1991 and future ADP services required and demanded by the operating administrations. Without this upgrade, the WCF will not be able to meet the needs of its customers. If the WCF cannot provide the computer services essential to the mission of the operating administrations, the operating administrations will be forced to obtain ADP services from third party vendors, costing the government more in time and money; or they might choose not to do the work, which would slow down the productivity and progress of government

- Tons Upgrade - $250,000
  Increase requested to further upgrade the TONS processor, direct access storage devices and communication capabilities. This upgrade will provide the enhanced services required and demanded by the WCF users and will accommodate the additional user demand.

- Option Disk Imagery - $500,000
  Funds requested to implement the installation of an optical disk document storage and retrieval system for DOT-wide application. An automated document management system offers the DOT docket function a way to begin standardizing the entire operation and a system-based approach to solving security, user, printing, storage space, indexing, and retrieval shortcomings. A common storage-based approach can also provide the means to ensure interoffice compatibility and unity of purpose. Resource sharing, savings in consolidation, maximum departmental labor productivity, a bolstering in public goodwill, and high morale are benefits that are possible by using this technology.

- Uninterruptable Power Source - $1,540,000
  Funds needed for the installation of a UPS in the computer center facility. The UPS will protect user data and software from the risk of permanent damage and loss that could result from sudden and/or prolonged power outages. The investment required to implement this standard safeguard is small when compared to the losses that could result from damage to the substantial amount of ADP equipment in operation in the computer center or in the information contained in these systems. The recent fire in the headquarters building has made this request even more urgent.

- Executive Information System - $1,100,000
  System needed to increase the relevance, timeliness and usability of information needed by departmental staff and managers for decision making. Funds will be used to develop requirements, identify common business indicators for management, conduct prototyping to ensure effective systems implementation and acquire system software to run the EIS.

- Miscellaneous - $2,031,000
  Increase requested to purchase necessary non-capitalized equipment and software development. In addition, funds will be used to support travel, training, service contracts for DOD courier service, telephone services, etc.

PRINTING OPERATIONS

Mr. **Lehman**. You are requesting a 12 percent increase in publishing and graphics expenses. This is particularly suspect in light of a recent IG report on your printing operations, which concluded the following: "Finding: Printing costs should be reduced. On a comparable basis, printing work done in-house during fiscal year 1988 was billed to WCF customers at a cost of about $198,000 more than printing work obtained through GPO programs. Management did not review printing costs to determine best prices because work was scheduled to keep in-house personnel and presses busy. This practice causes inefficiencies in printing operations and results in WCF customers paying higher prices than necessary for printing services."

The IG made a similar finding in 1983. Why have you allowed this situation to continue, and what do you intend to do about it?

Ms. **Chao**. We have done a couple of things. None of us were around in 1983, but based on the recent IG report, a study was undertaken by the WCF staff to review in-house versus contracted printing. The study determined that savings could be realized if we reduced the in-house printing and contracted out greater printing jobs.

So, because of the study, the mix between in-house and contracted jobs has been altered. As a result, as I mentioned earlier, the Assistant Secretary for Administration has recommended downsizing the in-house print shop.

The print shop will be moved to Landover, Maryland. It is expected to be operational by October 15. So we have taken action on that.

Mr. **Lehman**. A study was initiated to determine the printing shop's most economical level of operations. That study was due for completion in October 1989. What were the results, and how does that correlate to the large requested increase in this budget category for fiscal year 1991?

[The information follows:]

Based on the Working Capital Fund study, it was determined that the DOT in-house print shop should be used solely for time-sensitive, classified or work that cannot be contracted out (due to the complexity of the work, low profitability or labor intensive effort).

The in-house print shop is being downsized to include only resources for work described above. The smaller print shop will be relocated to a lower cost suburban Maryland facility during the next year.

The FY 1991 budget does not reflect any savings associated with the downsizing as these decisions were made within the past 3 months. It is expected that any savings which could possibly be realized in FY 1990 and FY 1991 will be consumed by increased costs of GPO printing and moving expenses (equipment, refurbishing, etc.).

The funding increase is requested to accommodate increased printing volume identified by the operating administrations, and growth in mandatory or fixed costs.

Mr. **Lehman**. For the record, please provide a copy of the findings and recommendations from the IG reports from both January 1983 and October 1989, and your response and implementation plan to the 1989 study.

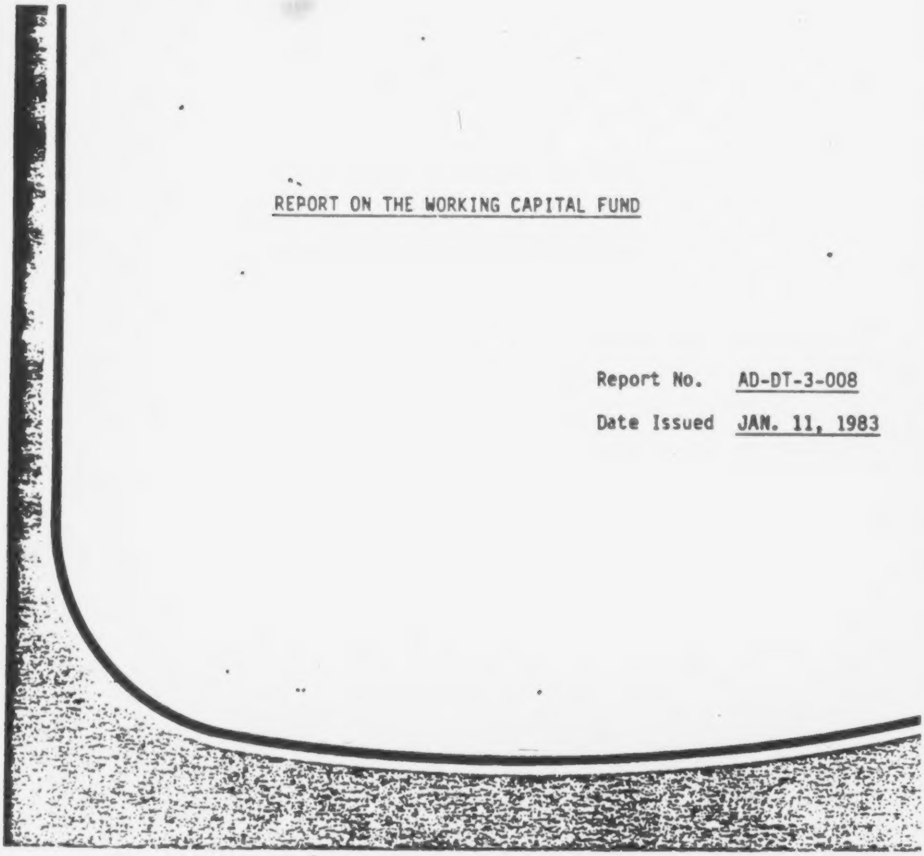
[The information follows:]

The January 1983 and October 1989 IG reports are provided, along with our response.

Based on WCF study, it was determined that the DOT in-house print shop should be used solely for work that is time sensitive, classified or cannot be contracted out (due to the complexity of the work, low profitability or labor intensive effort). The in-house print shop is being downsized to only include resources for work described above. In addition, the smaller print shop will be relocated to a lower cost suburban Maryland facility by October 1990.

U.S. Department of
Transportation
Office of the Secretary
of Transportation

Office of
INSPECTOR GENERAL



REPORT ON THE WORKING CAPITAL FUND

Report No. AD-DT-3-008

Date Issued JAN. 11, 1983

SUMMARY

The Office of Inspector General (OIG) performed an audit of the Working Capital Fund (WCF) to determine the (1) economy and efficiency of the fund's activities, (2) propriety of charges, and (3) adequacy of methods used for allocating costs to users of services provided by the fund. We reviewed costs totalling $10.8 million incurred by the fund during the period October 1981 through March 1982.

The audit disclosed that the Department of Transportation (DOT) can save more than $950,000 annually by procuring all printing commercially that is not economical to produce in-house. While management has substantially reduced unit printing costs, it has been unable to overcome the problems of relatively high rent, salaries, and administrative overhead. In addition to being uneconomical, the in-house production of printing is in conflict with the DOT policy which restricts in-house printing to classified materials or those required in 3 workdays or less.

We also found that the basis used to allocate library and shuttle bus costs to users of these services is inequitable. The applicable costs are allocated on the basis of population rather than on actual use. Presently, we estimate that the United States Coast Guard (USCG) is overcharged $400,000 annually for library services and undercharged $37,000 for shuttle bus services. Other significant inequities noted are annual undercharges for library services to the Federal Aviation Administration (FAA) and the Office of the Secretary (OST) of $285,000 and $100,000 respectively. In addition, the Department has not been reimbursed for shuttle bus services valued at approximately $10,000 provided to the Department of Health and Human Services (HHS) because a reimbursable agreement for such services has not been negotiated with HHS.

Management has recently implemented significant improvements in the economy and efficiency of WCF operations. These include reductions in library floor space of 15,000 square feet and in photography and graphics operations. In addition, the night shift in the printing plant was eliminated.

Management said a study requiring 6 months will be made to determine printing requirements and to determine the specific in-house printing capability needed. Also, a reevaluation will be made of the cost allocation technique used for the library and shuttle bus operations.

A synopsis of management's response to the draft report is provided at the end of each finding. The entire response is in Part II-C, Appendix.

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Under 5 U.S.C. 552

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Release To The Public Of Contractor/
Grantee Information Contained In This Report
May Be Prohibited By 18 U.S.C. 1905

PART I
INTRODUCTION

A. Background

The WCF is a revolving fund which is used to finance the operations of 16 Departmentwide services or administrative support activities. These activities include Printing, Photography, Library, Central Employment Information Office, Parking, Health and Fitness, Facilities Management, Hot Copy, Travel and Imprest Fund, Warehouse Management, Chauffeur Dispatch, Mail and Messenger, Computer Timesharing, Management Information Center, Visual and Graphics, and the Transportation Computer Center.

The budget for the WCF is not appropriated. The operating money is advanced to the fund, quarterly, by the recipient agencies. Each agency is advised monthly of its share of the cost of the services rendered. The subsequent quarter's advance is then adjusted for any excesses or deficits.

The total budget for the WCF in FY 1981 was approximately $57.8 million to finance the various activities discussed above.

Accounting for the WCF is the responsibility of the OST Accounting Operations Division. Responsibility for the services provided by the fund is assigned to the Director of Administrative Operations, OST, except for services provided by the Transportation Computer Center, Computer Timesharing, and the Central Employment Information Office. These services are administered directly by the Assistant Secretary for Administration.

B. Scope

We reviewed all WCF activities except computer timesharing and the Transportation Computer Center which will be covered in a separate audit. The audit was made in accordance with auditing standards prescribed by the Comptroller General and covered the 6-month period ended March 31, 1982. Reviews were made to evaluate the (1) economy and efficiency of the more significant WCF activities; (2) costs incurred, including overhead allocations; (3) financial reporting system; and (4) equity of bases used to allocate the WCF costs to the users of the services provided by the Fund.

PART II
RESULTS OF AUDIT AND RECOMMENDATIONS

A. Findings and Recommendations

1. In-House vs. Commercially Procured Printing

Finding

The Department of Transportation (DOT) can save more than $950,000 annually by procuring all printing commercially that is uneconomical to produce in-house. We found that the present in-house printing operation is not only uneconomical because of high overhead, but is in conflict with DOT policy which restricts in-house printing to classified materials or printing required in 3 workdays or less. While management has reduced printing costs by decreasing staff and increasing production, they have not been able to overcome their relatively high overhead and be price competitive with private industry.

Recommendations

We recommend that:

a. The Director of Administrative Operations reassess the operation of the Department's printing plant to identify those tasks which can be accomplished in-house as economically as if procured commercially, and reduce the printing staff and equipment to the level of economic operation so identified.

b. If this reevaluation does not identify a level of economical operation, the plant should be abolished in coordination with the Joint Committee on Printing (JCP) as required by Paragraph 4.1 of its Government Printing and Binding Regulations, and all printing should be procured commercially.

Discussion

a. Background

The DOT printing plant was chartered in the FAA in May 1960 by the JCP, a Committee of Congress. The plant became an integral part of the DOT upon its formation in October 1966. It operated two shifts until March 1, 1982, when the night shift was eliminated as an economy measure. Operations of the printing plant are controlled and monitored by the JCP through regulations which it is legislatively empowered to issue and enforce. The committee performs onsite plant inspections and requires periodic reporting on plant operations as well as on printing that the Department procures commercially. In addition, the physical movement or abolishment of a government printing plant may not be done without the prior approval of the committee. The current JCP trend is to reduce or eliminate Federal in-house printing operations.

b. Economy of Printing Operations

The Department's in-house production of printing is uneconomical. The annual cost of printing produced by the DOT printing plant (excluding composition and distribution) currently exceeds $2.1 million. Our review disclosed that such printing can be procured commercially at annual savings of more than $950,000. These savings are based on a comparison of the actual cost of 28 printing jobs that were produced in-house during February and March 1982 with the amounts that would have been paid for the same jobs if procured commercially. The resultant costs for the 2-month period were multiplied by 6 to annualize and then cost allowances were made for anticipated savings resulting from reductions-in-force.

We selected printing jobs of varying sizes in all administrations that were produced in the DOT printing plant. Printing branch staff assisted in obtaining the prices that the Department would have paid had the printing been commercially procured. The prices were determined from open-ended, multiple award contracts for a range of printing services and specifications negotiated by the Government Printing Office (GPO) with various commercial printers. GPO makes such contracts available to all agencies who must select the printer(s) with the lowest prices for the services being procured. The comparisons showed that in every case the cost to produce the printing job in-house far exceeded the cost if commercially procured. In the aggregate, in-house costs were 79 percent higher than prices charged by commercial printers. Based on these comparisons, we believe that the Department can save more than $950,000 annually by procuring all of its printing commercially.

We attribute the high in-house printing costs primarily to the high cost of space in the Nassif building, personnel costs, and to the accounting and administrative expenses allocated to the printing operation from the WCF. These costs represent 72 percent of the in-house printing cost.

We also reviewed printing jobs produced in-house which were required in 3 days or less and found that such jobs presently represent less than 2 percent of all in-house printing. In addition, we found that printing of classified materials is sporadic. Available records indicated only two such printing jobs since November 1980. We believe that these jobs could be produced on "Hot Copy" equipment rather than in the printing plant and still maintain the required security.

c. Composition Function

The majority of composition work for DOT Headquarter's printing needs is performed in-house. The in-house composition staff uses various types of sophisticated wordprocessors to customize printing in accordance with the needs of the users and the need for economy and effective communication. Economy is achieved by text compression which saves money on paper, plates, storage, and postage. The function provides centralized control over the larger repeat jobs by retaining their contents on floppy disks. We believe that the composition function should be retained on the basis of its economy and efficiency features.

d. Policy Issue

The general policy of the Federal Government is not to compete with the private sector, but rather to rely on competitive private enterprise to provide the products and services it needs. This policy is emphasized in the JCP's Government Printing and Binding Regulations concerning the in-house production of printing. The regulations provide that authorized government printing plants produce only that work which cannot be commercially procured within necessary time constraints. The Department has reiterated this policy in DOT Order 1360.5, Policies and Procedures Governing Department of Transportation Printing, Duplicating, and Copying dated August 29, 1979. The Order specifies that commercially procurable printing will not be produced by Department facilities. The Order provides that all printing is commercially procurable except classified materials and those required in 3 workdays or less.

In an effort to reduce unit cost, management assigns as much work as possible to the printing plant to utilize available plant capacity. Without this volume, unit costs would far exceed the present unfavorable ratio of in-house costs to commercial prices of 1.8 to 1.0.

e. Summary

Printing should be procured from its most economical source in compliance with general government, JCP, and DOT published policy. By commercially procuring more printing and restructuring the DOT printing plant to specialize in economical printing jobs, the Department can reduce its annual printing expenditures by at least $950,000 per year.

Management Response

Management said that sensitivity and timeliness of printing needs require retention of an in-house printing capability. Management said a study requiring 6 months will be made to determine the specific in-house printing capability needed. Various operational alternatives will be developed and cost/benefit analyses made of the alternatives. In the interim, plans were to fully task the in-house staff to assure they are maximally productive.

Audit Comments

Retention of the present printing plant operation results in increased printing expenses of at least $950,000 per year. Consequently, prompt corrective action is needed to determine the most cost effective method of satisfying printing requirements and realizing savings.

Regarding management's interim plan to maximize production pending problem resolution, we believe that declining printing demand, high fixed overhead costs, and limited flexibility tend to make this plan cost ineffective.

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2. Cost Allocations

Finding

Charges allocated by the WCF to Departmental elements for library and shuttle bus services are inequitable. These charges are allocated on the basis of population rather than on actual use. As a result, the USCG is overcharged approximately $400,000 annually for library services while the FAA and the OST are being undercharged about $285,000 and $100,000, respectively. Although the USCG actually uses about 67 percent of available shuttle bus services, it only pays for 28 percent of such services, calculated on the basis of population. In addition, a reimbursable agreement for shuttle bus services with HHS, located at the Transpoint Building, has not been negotiated. Nevertheless, HHS personnel regularly utilize the buses. We estimate that this use has resulted in lost revenue to the WCF of approximately $10,000, annually.

Recommendations

We recommend that:

a. Library costs be allocated to customers on the basis of library-maintained activity statistics on reference/research, circulation and periodical routing.

b. Shuttle bus costs be allocated to users of the service on the basis of semiannual ridership surveys.

c. A reimbursable agreement be executed with HHS for shuttle bus services provided to their employees.

Discussion

a. Background

DOT Order 2300.5A, DOT WCF Financial Policy, dated September 22, 1980, establishes the financial policies and related guidelines for the operation of the WCF. Criteria specified in the Order for selecting cost distribution bases are (1) fairness and equity of end result, (2) simplicity of procedure, and (3) relative impact on the workload of the implementing personnel. The basis for cost recovery of library and shuttle bus services is, "proration of monthly costs to customers based upon percentage of employee population for each customer to the total employee population based in the Washington Headquarters building." The population statistics are to be updated quarterly.

b. Library Services

The use of population as a basis to allocate library expenses results in an inequitable allocation of costs. For example, the USCG absorbs over 26 percent of library expenses on the theory that population measures the potential availability of a service. However, their distance from library facilities results in approximately 10 percent usage. As a result, the USCG was overcharged approximately $209,000 for the 6-month period ending March 31, 1982. Our usage calculation was based on activity statistics prepared each month by the Library Services Division. The statistics cover each Departmental element's reference questions, items checked out, and routings of journals to individuals.

On the theory that some measured activities expend more resources than others and that the number of personnel assigned to each function can measure its relative cost impact, the following weights were given to library activity statistics:

1.	Reference/Research	70.8%
2.	Circulation	12.5%
3.	Periodical Routing	16.7%

For the 6-month period ended March 31, 1982, users were charged $1,254,793 for library services. The most significant inequities between charges made and those that would have been made if based on actual usage are:

	Population Basis	Usage Basis	Inequities	
			Undercharged	Overcharged
USCG	$337,250	$127,612		$209,638
FAA	290,678	433,406	$142,728	
NHTSA	87,462	65,375		22,087
OST/OIG	130,799	182,949	52,150	
MARAD	86,292	106,783	20,491	

More complete details are provided in Exhibit I.

c. Shuttle Bus

The allocation of shuttle bus charges to the USCG on a population basis is inappropriate. Although the USCG is the prime user of the service (67 percent), it absorbs only 28 percent of the shuttle bus costs. The USCG needs the shuttle to make use of Departmental resources, coordinate with their Nassif building based unit, utilize transportation connections for commuting and official travel, and for various business and personal purposes. Other elements of the Department use the shuttle buses to visit the USCG.

The OST Support Services Division conducted a ridership survey in April 1981. The Administrative Management Council members were subsequently asked, on the basis of the survey's findings, to consider changing the allocation basis to percentage of riders. Followup action was deferred pending resolution of higher priority problem areas in the WCF operations. The 1981 ridership statistics are currently inapplicable due to USCG switching from a 4 to 5 day week and MARAD joining the Department. Accordingly, more current data is needed on the passenger mix to accurately distribute user charges. Nevertheless, the survey indicated a wide disparity between actual usage and theoretical usage based on population. These inequities are illustrated in Exhibit II.

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Our review of the survey disclosed that HHS and the Environmental Protection Agency (EPA) provide approximately 10 percent and 7 percent, respectively, of the shuttle bus riders. While EPA reimburses the WCF approximately $5,000 annually under a reimbursable agreement, no such agreement has been executed with HHS. Lost revenues for shuttle bus services provided to HHS staff are estimated at $10,000 annually.

d. Summary

In evaluating the various bases used in allocating costs to customers, we found the use of the population basis for library and shuttle bus activities to be inequitable and believe it should be replaced by an actual usage basis. In addition, shuttle bus expenses should be distributed to all of its users; DOT and other agencies, as applicable.

Management Response

Management will reevaluate the cost allocation technique used for the library and shuttle bus operations. They are currently negotiating a reimbursable agreement with HHS for FY 1983 shuttle bus services.

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EXHIBIT I

WORKING CAPITAL FUND LIBRARY SERVICES
6 MONTHS ENDED MARCH 31, 1982

	Usage Statistics							Inequities	
	Reference Research	Circulation	Periodical Routing	Total	Population Percentages Applied	Charges Based On Usage	Actual Charges Based On Population	Under-Charged	Over-Charged
ight of Usage Factor	70.80%	12.50%	16.70%	100%					
USCG	7.75%	1.56%	.86%	10.17%	26.88%	$ 127,612	$ 337,250		$209,638
FAA	20.29	4.46	9.79	34.54	23.17	433,406	290,678	$142,728	
FHWA	6.75	1.40	4.63	12.78	11.94	160,363	149,810	10,553	
FRA	3.98	.69	.13	4.80	4.62	60,230	57,939	2,291	
NHTSA	4.49	.69	.03	5.21	6.97	65,375	87,462		22,087
NTSB	1.35	.69	-	2.04	2.67	25,598	33,536		7,938
OST/OIG	12.14	1.54	.90	14.58	10.42	182,949	130,799	52,150	
RSPA	2.85	.30	.14	3.29	2.43	41,282	30,548	10,734	
SLS	.14	.05	.02	.21	-	2,635	-	2,635	
UMTA	3.29	.46	.12	3.87	4.02	48,560	50,479		1,919
MARAD	7.77	.66	.08	8.51	6.88	106,783	86,292	20,491	
Totals	70.80%	12.50%	16.70%	100.00%	100.00%	$1,254,793	$1,254,793	$241,582	$241,582

EXHIBIT II

WORKING CAPITAL FUND SHUTTLE BUS SERVICES
6 MONTHS ENDED MARCH 31, 1982

	April 1981 Ridership Survey Percentages	Population Percentages Applied	Charges Based On Usage Survey	Actual Charges Based On Population	Inequities	
					Under-Charged	Over-Charged
USCG	67.3%	28.1%	$32,517	$13,878	$18,639	
FAA	5.2	23.1	2,513	11,413		$ 8,900
FHWA	1.7	12.4	821	6,138		5,317
FRA	1.7	4.8	821	2,367		1,546
NHTSA	.6	7.3	290	3,603		3,313
NTSB	.4	-	193	-	193	
OST/OIG	4.7	10.4	2,271	5,112		2,841
RSPA	.5	2.5	242	1,204		962
UMTA	.7	4.2	338	2,074		1,736
MARAD	N/A	7.2	3,500	3,527		27
EPA	7.1	AGREEMENT	3,430	2,500	930	
HHS	10.1	-	4,880	-	4,880	
Totals	100.0%	100.0%	$51,816	$51,816	$24,642	$24,642

U.S. Department of Transportation
Office of the Secretary of Transportation

Memorandum

APPENDIX

Subject INFORMATION: Reply to Draft Report on Audit of Working Capital Fund (WCF)

Date NOV 19 1982

From Ron Keefer
Ronald D. Keefer
Director of Administrative Operations

Reply to Attn of

To Director, Office of DOT-Wide Programs, OIG

Your letter of July 30, 1982, transmitted a draft copy and requested comments on the "Draft Report on the Working Capital Fund."

As you know, we have shown considerable interest in the findings and recommendations, and have met with your staff on several occasions in an attempt to resolve our differences. We share your interest in the overall cost effectiveness of the printing plant, and we are committed to a continual program of assuring that our operations are competitive with printing contractors. You may rest assured that whenever we determine that it would be economically feasible to obtain printing services by contract, we will take appropriate actions to do so.

In addition to making the cost comparisons you recommend, we also plan to explore other alternatives and new developments in the printing field. Our ultimate objective is to provide the highest quality printing to the DOT clientele at the least cost to the Government.

Presented in the sections which follow is our position on the major items presented in the report.

Audit Scope and Opinion

> The scope of the review was quite comprehensive and entirely consistent with our request for this audit. We note however, that the report contains no opinion about the overall economy and efficiency, the propriety of costs charged, or the propriety of allocation methods for the Working Capital Fund. We assume that you are reporting on the "exception basis" and, therefore, that anything not reported must, in your opinion, be adequate. Considering the size and complexity of fund activities and operations, we are pleased to learn of so few problems.
>
> In a similar manner, the report expresses concern about the equity of our cost allocation techniques for the library and shuttle bus operations. We think that the condition reported for these two activities is symptomatic of a need to reevaluate the cost allocation

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techniques for all WCF activites. Accordingly, we planned to make an in-depth study. Since the audit covered all WCF activities, please let us know whether we should narrow the study to just the library and the shuttle bus. If the other allocation plans are appropri[illegible] need not expend the time or resources to study them.

We thank [illegible]r bringing the HHS shuttle bus matter to our attention and we a[illegible] the process of negotiating a reimbursable agreement with HHS [illegible] FY 1983 shuttle services.

Cost Effectiveness of DOT Printing Plant

The report alleges that we could save more than $950,000 annually by commerically procuring DOT printing rather than producing it in-house. It is recommended that the plant be disestablished to achieve economies and efficiencies.

While we are in complete accord with your objective to attain cost effectiveness, we believe that the critical nature, in terms of sensitivity and timeliness, of much of our printing work would make it unwise for us to rely exclusively on contractors. We agree that any in-house capability should be in complete accord with prescribed regulations of the Joint Committee on Printing.

To determine exactly what capability DOT must have, we are planning to study our printing requirements, relate them to existing technology, and then develop operational alternatives. This study will take at least six months to complete and will likely require some outside assistance (e.g., contractor, JCP, GPO). We will do a cost/benefit analysis of the respective alternatives to decide on the future direction of our printing activity.

In the meantime, we plan to fully task our in-house staff to assure that they are maximally productive. Our past and projected workload is such that we can operate at a relatively large volume with both contractors and our own staff. As you are likely aware, we have already realized significant cost reductions in our printing facility. Some of the more significant ones are scheduled below.

- Reduced staff by 20 people - estimated annual savings $400,000
- Reduced overtime utilities - estimated annual savings $360,000
- Purchasing paper in economic order quantities - estimated annual savings $36,000
- Screening of printing requests for quantity, format, paper, warehousing and distribution - estimated annual savings $300,000

We have also dramatically increased our in-house productivity by establishing standards, reassessing work flow, and cross-training the printing staff.

We appreciate the opportunity to present our views and we are hopeful that you will give them full consideration in preparing your final report.

Office of
INSPECTOR GENERAL

REPORT ON AUDIT OF THE DEPARTMENT OF TRANSPORTATION'S PRINTING OPERATIONS

REPORT NO.: AS-OT-0-002

DATE ISSUED: October 16, 1989

U.S. Department of Transportation
Office of the Secretary of Transportation

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Memorandum

Subject: ACTION: Report on Audit of the Department of Transportation's Printing Operations
Report No. AS-OT-0-002

Date: October 16, 1989

From: Raymond J. DeCarli
Assistant Inspector General
for Auditing

Reply to Attn of: Persh:X61436

To: Assistant Secretary for Administration

I. INTRODUCTION

A. Background

Management and supervision of the Department of Transportation's (Department/DOT) in-house printing operation is the responsibility of the Office of Administrative Services and Property Management. Typical printing work produced in-house included management directives, news media releases, vacancy announcements, forms, and pamphlets. The printing operation is comprised of the plant proper (camera, press, and bindery sections), Printing and Copy Expediting Center (PACE), and Scheduling and Planning Section. In addition, printing work is obtained commercially through Government Printing Office (GPO) contracts.

The policy of the Federal Government is not to compete with the private sector, but rather to rely on competitive private firms to provide the products and services it needs. This policy is emphasized in the Congressional Joint Committee on Printing (JCP) regulation concerning in-house printing. The regulation entitled, "Government Printing and Binding Regulations," issued as guidance for Federal agencies, provides that agency printing plants are authorized to produce only that work which cannot be commercially procured within the time required by the customer. The Department has reiterated this policy in DOT Order 1360.5 which states that all printing is commercially procurable except classified materials and those required in 3 workdays or less (in practice, the time factor may vary).

B. Scope of Audit

The Office of Inspector General (OIG) completed a review of the Department's printing operations as part of the Audit of the Working Capital Fund (WCF). The objective of this audit was to review the economy and efficiency of the printing operation which included determining the fairness and reasonableness of prices charged by WCF. For this review, we made a comparison of total billing costs for in-house work done in the Department's printing plant to billing costs resulting from procurements made through GPO during Fiscal Year (FY) 1988. Also, we took a judgmental sample of printing jobs completed from April 1, 1988 through November 30, 1988, to compare in-house printing costs to GPO printing costs for those jobs.

C. Prior Audit Coverage

Prior audit coverage of this area is contained in our audit report entitled, "Report on the Working Capital Fund," Report No. AD-DT-3-008, dated January 11, 1983. In this report, we reported that the Department could significantly reduce printing costs by procuring all printing that was not economical to produce in-house commercially through GPO. We recommended that management reassess the printing operation to identify those tasks which can be accomplished in-house as economically as if procured commercially and to reduce staff and equipment to the level of economic operation. Also, we suggested that if management reevaluation does not identify a level of economical operation, the printing plant should be abolished and all printing procured commercially.

Management, in their response to our audit report, said that sensitivity and timeliness of printing needs required retention of an in-house printing capability. Also, management said that studies would be performed to determine the specific in-house printing capability needed and that alternatives would be developed and cost/benefit analyses made of the alternatives. Our followup on the status of actions taken by management showed that staff reductions of plant personnel, equipment, and floor space had taken place. Operations were reduced, printing personnel were assigned to other areas, and much of the work previously done in-house was redirected. A recent in-house survey was performed of the printing plant workload, equipment, and cost. A report has not yet been formalized; however, four options were presented for downsizing the printing plant. At the time of our review, none of the options were adopted by management. The survey also provided an action plan to downsize the plant by taking advantage of normal attrition through retirement of staff and operate the plant as a PACE by the year 1997.

II. FINDING AND RECOMMENDATIONS

Finding. Printing Costs Should Be Reduced

On a comparable basis, printing work done in-house during FY 1988 was billed to WCF customers at a cost of about $198,000 more than printing work obtained through GPO programs. 1/ Management did not review printing costs to determine best prices because work was

---

1/ According to WCF billings prepared by the Financial Services Branch, WCF Division.

scheduled to keep in-house personnel and presses busy. This practice causes inefficiencies in printing operations and results in WCF customers paying higher prices than necessary for printing services. In addition, this practice is inconsistent with Federal Government policy to obtain printing work commercially except for classified materials or when deadlines cannot be met (3 or less workdays).

Management officials said that the types of work identified by their clients for in-house work is not enough to keep the present work force at full capacity. Accordingly, rather than contracting for work when there is idle capacity, management decided to utilize that idle capacity for work which would not, if cost efficiency were the criteria, normally be done in-house. Management said another alternative would be to reduce the staff to only that complement necessary to do the work clearly identified for the plant. They said since their printing staff averages 21 years of service, they saw this as an insensitive way to treat a loyal and experienced work force and knew it would produce morale problems and other disruptive influences throughout the Office of Administrative Services and Property Management organization. Instead, they decided to take advantage of the staff's experience and longevity and downsize the operation by attrition. Management believed that by prudent scheduling and maximizing productivity, they have been able to keep in-house costs to an acceptable minimum. In addition, management said that since they plan to have an in-house operation (albeit a smaller one than at present) anyway, they believe that it is in the overall best interest of the Department to get down to the desired staffing by attrition rather than reduction in force. Further, they consider it a good business practice to operate the printing facility at maximum production.

In-House Printing versus Contract Printing

As stated above by management, analyses to determine cost of printing was not the prime consideration in determining if cheaper prices could be obtained by GPO within the timeframe requested by the customer. Management's practice was to make sure the printing presses were kept busy and a full production level was maintained before jobs were contracted out.

To analyze printing costs, we used total billings to WCF customers (obtained from billings prepared by the Financial Services Branch, WCF Division) during FY 1988 for in-house and GPO printing work. We excluded short-form PACE work because this work was not comparable to the work done under GPO contracts. Based on this billing information, billing costs per thousand units for in-house printing work was $198,281 more than contract costs. In making this comparison, we adjusted bill amounts based on reported overcharges for in-house work ($316,731) and underrecoveries of costs for contract work ($298,982). However, the cost data used to make these adjustments has not been audited and reflects cost distributions which are subject to question, as explained in the following section.

Contract Printing Service Overhead Charges

At the time of our review, 20 percent was added to WCF customers' bills for GPO contract printing services. This rate was based on a cost ratio of contract to total overall printing costs incurred during FY 1986. The cost ratio was 68 percent, which is used to allocate printing overhead costs throughout the year to contract printing work. The allocated amount was determined to be 19.85 percent of the total billing costs for contract work. Thus, 20 percent is added on to the cost of each contract printing job up to a total of $2,500 to recover overhead costs associated with contract printing. The methodology used in the allocation process has certain shortcomings that need evaluation. For example, dollar volume associated with contract printing was used to determine the ratio for allocating overhead costs. A more appropriate measure would include the number of transactions and efforts expended which are more related to overhead costs. Also, allocating 68 percent of rent costs to contract printing work is inappropriate for the small amount of space used for processing contract work.

The WCF accounting records showed that the surcharge billed to the Modal Administrations for printing services obtained through GPO increased from $945,453 in FY 1987 to $1,003,345 in FY 1988. A review of the methodology used and the cost elements making up the surcharge rate is needed to make sure that the rate is arrived at equitably and supported by applicable costs.

Cost of Printing Jobs

To further analyze the cost of printing jobs done in-house to cost of printing obtainable through GPO, we judgmentally sampled 25 in-house printing jobs. These were all the jobs completed from April 1, 1988 to November 30, 1988, which cost over $1,000 each, and required more than 3 days to complete. We used the same order criteria on the Printing Services Request and obtained GPO's assistance to arrive at the commercial printing prices. For each of the 25 printing jobs, GPO provided us prices from ten printing contractors with detailed cost breakdowns. To arrive at the commercial printing costs, we used the medium contractor's price for each job and added onto that price GPO's 6-percent processing fee as well as the Office of the Secretary of Transportation's 20-percent surcharge. Even after using this approach, each job could have been done cheaper commercially. For those jobs reviewed, the in-house cost was on average 62 percent more (see Exhibit). This result seems to support the results of the cost analysis based on FY 1988 billings.

Alternatives for Satisfying Printing Needs

The Department can satisfy the majority of its printing needs through programs that have been established with GPO. At the time of our review, the Contract Section of the Printing and Publications Division had 40 printing programs established with GPO to satisfy recurring needs of the Department. Some of these programs are listed below.

Program No.	Title
313-M	Medium Run Printing (Local Delivery Only)
720-M	Short-Run Printing
814-M	Books and Pamphlets
415-M	Flat Sheet Forms
1302-M	Open Requisition - Books and Pamphlets
1303-M	Open Requisition - Forms and Flat Sheets

We were told by GPO officials that contractors in each of the programs maintain "Job Shops" similar in capacity to the Department's printing plant. Generally, these contractors are geared to handle low- to high-volume jobs that make up the basic mix of work done in the Department's printing plant. Most in-house jobs could be placed with GPO programs (direct-deal contracts) that have been established depending on the time and volume required by the customer. Generally, it would not be cost effective to place printing jobs performed in-house on the 720-M or any of the above programs if the printing requirement is not needed within a short timeframe. Low-volume jobs requiring quick turnaround generally should be placed on the 720-M printing program. This program provides short-run copying and printing services and calls for delivery of up to 60,000 impressions within 2 workdays under Category I--Copying/Duplicating Services, and 4 workdays under Category II--Printing. The program also provides for multiple awards to five contractors in each of the categories so that more than one contractor could be used to meet the timeframe requested by the customer. At the time of our review, the 720-M Printing Program represented only about 5 percent or 30 million of the total production units procured commercially by the Department.

The advantage of having a printing program with GPO is that once the contract has been awarded, the Department deals directly with the contractor on all aspects of the job prior to and during production. GPO acts as an arbitrator in cases of disputes between the Department and contractor regarding discrepancies in the product and nonadherence to schedule, etc. The quality of products procured must also conform to the specifications contained in the GPO contract.

Another viable alternative involves maximum use of the PACE where economically practical. The PACE is a duplicating/copy center which uses advanced printing/reproduction technologies such as high speed Xerographic duplicators and automated composing systems. Printing jobs have been processed through the PACE with good results. The potential of reducing printing costs through use of high speed Xerographic duplicators has also been adequately demonstrated by the Department of Energy (DOE). DOE converted its Headquarters printing plant to a duplicating/copy center with good results. According to management personnel, if the printing operation was limited to the PACE about 8,000 square feet of space could be made available for other purposes. This represents a cost of about $160,000 annually.

Printing Service Costs

Better management of printing operations is needed to improve efficiency and effectiveness of operations. Analyses and cost comparisons should be made as well as alternative methods reviewed to determine the most effective and efficient way to satisfy printing needs. In this respect, the need for quick turnaround jobs should be analyzed. For example, our analysis of 70 selected jobs completed in-house in 3 workdays or less during the period April 1, 1988 through June 30, 1988, showed that 61 percent of the jobs we looked at were not wanted at destination from 7 to 14 days after they were received. Also, costs associated with maintaining and operating printing presses should be reduced or eliminated since there are too many presses for the current workload and the old age of the presses causes operational inefficiencies.

Production reports reviewed during October 1987 through May 1988, (137 workdays) showed that three of the six presses were below production goals 53 to 95 percent of the time. Management officials told us that the three Davidson 502 presses were maintained to provide printing back-up capabilities. In addition, management officials said that full-time equivalents were being reassigned from the low-production presses and vacated positions were not being backfilled.

Part of the equipment downtime of about 21 percent was due to maintenance service and equipment breakdowns. The schedule below shows the number of days printing presses exceeded or were below production goal capabilities.

Press Equipment	Production Goal	Production Days Exceeded	Percent	Production Days Below	Percent
Harris #1	80,000	101	74	36	26
Harris #2	80,000	85	62	52	38
Davidson 702	70,000	72	53	65	47
Davidson 502 #1	40,000	65	47	72	53
Davidson 502 #2	40,000	49	36	88	64
Davidson 502 #3	40,000	7	5	130	95

Conclusion

Printing costs, as mentioned in our previous audit report, continue to be uneconomical. Although actions were taken to reduce operating costs, further efforts are needed to determine economical operational levels or if in fact an in-house printing capability is needed as it now exists. WCF users are now paying a high cost for printing services. These users should be given the benefits of paying the most economical costs for printing services. In addition, the Department should be complying with JCP policy providing that agency printing plants are authorized to produce only that work which cannot be commercially procured within the time required by the customer.

Recommendations

We recommend that the Assistant Secretary for Administration:

1. Review the 20-percent surcharge added to contract printing services to (1) evaluate the appropriateness of the methodology used to arrive at the rate, (2) determine if the breakdown of allocated costs is appropriate and fair, and (3) document cost elements making up this rate and review the rate periodically (at least annually) and make necessary adjustments.

2. Reevaluate the need for retaining an in-house printing capability considering printing requirements and alternative ways to satisfy those requirements and take appropriate actions.

3. Determine the most economical level of operation to satisfy printing needs if in-house retention is considered necessary by analyzing printing requirements in relation to contracting costs and personnel and equipment costs.

4. Take appropriate action to adjust in-house equipment and personnel levels to achieve most economical operations.

5. Analyze future printing requests to determine the most cost-effective method of satisfying requirements.

Management Response

In the September 7, 1989 response to the May 16, 1989 draft report, the Assistant Secretary for Administration indicated general concurrence with the finding and recommendations while, at the same time, pointing to the continued efforts to downsize the printing operations. With regard to the specific recommendations, the Assistant Secretary for Administration advised that (1) the WCF Division has been requested to make a review of the 20-percent surcharge added to contract printing services, (2) a study has been initiated to determine the most economical level of operations, and (3) printing requests will continue to be analyzed to determine the most cost effective means of providing the service. Further, the in-house offset press capability is planned for a significant reduction. The study is expected to be completed by the end of October 1989, at which time the OIG will be apprised of the results.

Management's entire response is included as the Appendix to this report.

Audit Comments

The corrective actions taken or planned by the Office of Assistant Secretary for Administration are responsive to the recommendations and should improve the Department's printing operations when fully implemented.

III. ACTION REQUIRED

Further response under DOT Order 8000.1C is required within 60 days to provide us with the results of the study and surcharge review, and plans for further action. We would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during the review.

#

EXHIBIT

Order Number	Modal Administration	In-House Cost	Contract Costs 1/	Costs Differential	Percent Savings
8-22503	FAA	$ 2,034	$ 788	$ 1,246	61
8-22544	FAA	6,666	2,031	4,635	70
8-22545	FAA	5,018	1,563	3,455	69
8-22559	FAA	6,800	2,078	4,722	69
8-22790	FAA	2,235	1,008	1,227	55
8-22920	FAA	7,704	2,335	5,369	70
8-22992	FAA	2,614	659	1,955	75
8-23019	FAA	2,559	643	1,916	75
8-23094	FAA	13,764 2/	4,876	8,888	65
8-23115	FAA	6,220	1,955	4,265	69
8-23166	FAA	1,867	658	1,209	65
8-23215	FAA	1,665	446	1,219	73
8-23340	FAA	2,544	704	1,840	72
8-23478	FAA	1,278	280	998	78
8-40684	USCG	2,720	1,398	1,322	49
8-40689	USCG	2,348	604	1,744	74
8-40937	USCG	5,430	1,822	3,608	66
8-50758	FHWA	6,130	4,305	1,825	30
8-50844	FHWA	5,517	4,305	1,212	22
8-50870	FHWA	2,846	1,155	1,691	59
8-23167	FAA	2,630	367	2,263	86
8-75626	NHTSA	1,788	447	1,341	75
8-22921	FAA	2,132	1,145	987	46
8-23037	FAA	2,158	1,130	1,028	48
8-40973	USCG	1,237	874	363	29
TOTALS		$97,904	$37,576	$60,328	AVG. 62

1/ Contract cost includes 6-percent GPO processing fee and OST 20-percent surcharge.

2/ Actual in-house cost was $27,528 due to reprint of the job as requested by agency. We conservatively reduced cost in half for comparison.

APPENDIX
(3 Pages)

U.S. Department of Transportation
Office of the Secretary of Transportation

Memorandum

Subject **ACTION**: Response to Draft Report on Audit of the Department of Transportation's Printing Operations

Date SEP - 7 1989

From Jon H. Seymour
Assistant Secretary for Administration

Reply to Attn of

To Inspector General

Thank you for the opportunity to comment on your "Draft Report on Audit of the Department of Transportation's Printing Operations." Our respective staffs have discussed the content of this report, and we appreciate the cooperative spirit which existed during these discussions.

Although we believe that the difference is not significant when considering the costs to administer contracts, we generally agree with your contention that it costs more to do printing work in our in-house plant than by contractor. Knowing of this back in 1982, we began a general downsizing effort, and have reduced the staff from 67 people to a present complement of 17. These reductions were made by eliminating a night shift operation, by reassigning plant staff to prepublication review and contract administration functions, and by not filling vacancies resulting from normal attrition.

We plan to continue our downsizing and cost reduction efforts and are now considering the merits of phasing into a Printing and Collating Expediting (PACE) type operation to do the unique or time and security sensitive work which we have been doing mostly with the traditional offset press-type equipment. We are also analyzing space cost reductions which might result from a further downsized operation and a relocation to a lower cost area. These study results will be available in the next few months and we would be pleased to share them with the Office of the Inspector General (OIG).

In the interim, we plan to continue to manage our plant resources to provide the highest quality and timely service to our customers. By emphasizing cost effectiveness, by fully utilizing our in-house capability, and by continuing to monitor productivity, we believe we can keep the contractor versus in-house cost differential to an acceptable minimum.

The comments which follow are in direct response to your recommendations.

1. OIG Recommendation - Review the 20-percent surcharge added to contract printing services.

   Comment - We have asked the Working Capital Fund Division (M-85) to make this review, and we will apprise you of the results.

2. OIG Recommendation - Reevaluate the need for retaining an in-house printing capability considering printing requests and alternate ways to satisfy those requirements and take appropriate actions.

   Comment - We plan to significantly reduce our in-house offset press capability with its attendant camera and plate-making equipment. By using modern technology, we believe that a PACE-type operation with some bindery capability will be able to satisfy most of the Department's "nonprocurable" printing workload. This will result in more contracting and, with it, the need for more printing contract administrators.

3. OIG Recommendation - Determine the most economical level of operation to satisfy printing needs if in-house retention is considered necessary by analyzing printing requirements in relation to contracting costs and personnel and equipment costs.

   Comment - We have begun a study to determine the most effective level of operation. Factors we are considering include: the use of modern technology, minimizing space requirements, reducing space rates by relocating, reassessing cost and overhead allocations to the printing operation, and reassigning staff to other critical positions in the Office of Administrative Services and Property Management (M-40) organization. We will advise you of the study results and our planned course of action as soon as the study is completed.

4. OIG Recommendation - Take appropriate action to adjust in-house equipment and personnel levels to achieve most economical operations.

   Comment - We agree, and the study referenced in response to OIG Recommendation 3 will provide the means to achieve most economical operations. The equipment and personnel levels, ultimately decided upon, will be kept maximally productive by our ensuring a steady stream of printing work.

5. OIG Recommendation - Analyze future printing requests to determine the most cost-effective method of satisfying requirements.

   Comment - We agree to continue analyzing printing request~~s. Our~~ prepublication review operation was one of the first established in Government and has already saved the Department over $1 million in printing costs. In addition to reviewing work prior to printing, we will also be mindful of in-house workload to ensure full capacity and maximum productivity.

We plan to complete our studies of the headquarters printing operation by the end of October 1989. We will apprise you of our results at that time.

-#-

IG REPORT ON TIME-SHARING

Mr. **LEHMAN**. In a July 1989 report, the IG recommended that certain users be allowed to procure time-sharing services outside the WCF due to the latter's increased overhead costs. Have you agreed to implement the IG's findings?

[The information follows:]

The WCF agreed with the OIG report. Operating Administrations are now funding their own computer time-sharing services.

BUDGET IMPACT ON IG TIME-SHARING REPORT

Mr. **LEHMAN**. What impact has that had on the fiscal year 1990 and 1991 budgets?

[The information follows:]

The portion of the FY 1990 WCF limitation previously allocated to the computer time share activity was used to cover a portion of the $4.7 million absorption in Headquarters Space Rental rate increases. In FY 1991, projects deferred or curtailed in FY 1990 due to the space rental absorption and the absorption of $2.4 million in other program reductions in FY 1990 will be covered.

IG REPORT ON TIME-SHARING

Mr. **LEHMAN**. For the record, please provide a copy of the IG report, your response, and your implementation plan.

[The information follows:]

The July 1989 IG report is attached. The WCF agreed with the OIG report and the operating administrations are now funding their own computer time-sharing services.

Office of
INSPECTOR GENERAL

Report on Audit of Computer Timesharing Services--Working Capital Fund

REPORT NO: AS-OT-9-014

DATE SIGNED: July 19, 1989

U.S. Department of Transportation
Office of the Secretary of Transportation

U.S. Department of Transportation

Office of the Secretary of Transportation

Office of Inspector General

Memorandum

Subject: ACTION: Report on Audit of Computer Timesharing Services--Working Capital Fund Report No. AS-OT-9-014

Date: July 19, 1989

From: Raymond J. DeCarli Raymond J DeCarli
Assistant Inspector General
for Auditing

Reply to Attn of: Michaelangelo:X61436

To: Assistant Secretary for Administration

I. INTRODUCTION

A. Background

The computer timesharing (timesharing) function was established under the Working Capital Fund (WCF) in August 1973, as a means of financing users' computing services needs which were not available inhouse. Timesharing's primary purpose was to meet the Department of Transportation's (Department) modal users' supplemental computing needs. Each modal users' timesharing services program office is responsible for monitoring usage and allocating funds to reimburse the WCF.

The Office of the Secretary of Transportation's (OST) Office of Information Resource Management (OIRM) administers the timesharing function. This office's timesharing support activities, which are a part of overhead costs, include originating procurement requests and serving as the liaison with the contracting officer and the timesharing contractors. In Fiscal Year (FY) 1987, timesharing services billings to users were $8.1 million while billings for FY 1988 totaled $2.7 million. The FY 1989 Budget estimate is about $4.3 million or a 47-percent decrease from the FY 1987 billing amounts.

During the same time period, the number of users also declined from 49 in FY 1987 to 36 in FY 1988 and to 27 in FY 1989 based on renewal of FY 1988 contracts. The change represents a 45-percent decrease in the number of users from FY 1987 to FY 1989. Users of timesharing services are either clustered on a few contracts or are single users on individual contracts. For example, for FY 1989, 19 of the 27 users are on three contracts. In addition, six of the remaining seven contracts are for single users.

B. Scope of Audit

The Office of Inspector General completed a review of the Department's timesharing services as part of the WCF audit. The audit objective was to evaluate the efficiency of providing timesharing services through the WCF and the fairness and reasonableness of prices charged users. The adequacy of internal controls was also evaluated.

The audit covered timesharing services activities during FYs 1987 and 1988, and the audit work was performed during the period July 1988 through November 1988. The audit was made in accordance with the General Accounting Office "Government Auditing Standards" and included such tests of the procedures and records as were considered necessary.

C. Prior Audit Coverage

There has been no prior audit coverage of the timesharing services area.

II. FINDING AND RECOMMENDATIONS

Finding. Timesharing Services Are Costly Under the WCF

Timesharing services do not meet the criteria for continued retention in the WCF because these services are not being provided economically and efficiently. The number of users is decreasing while the overhead rate continues to rise from 8 percent of total billings during FY 1987 to 28 percent of total billings during FY 1988. Consequently, alternatives should be developed to lower costs or to obtain these services through other means. While we identified areas that needed improvement, we did not find any material weaknesses with the existing system of internal controls.

Discussion

The requirements for including, retaining, and administering common services through the WCF are contained in the Department of Transportation Act and Department Orders. Appropriate excerpts follow:

- Public Law 89-670, dated October 15, 1966, Department of Transportation Act, Section 9, Paragraph j, authorized the Secretary of Transportation to establish a WCF for such common administrative services as he shall find to be desirable in the interest of economy and efficiency.

- Department Order 1700.8, dated August 2, 1967, "Working Capital Fund," Paragraph 3, provides:

> An administrative service required by more than one organizational component of the Department (OST and operating administrations) will be placed under Working Capital Fund financing and management, wherever an

> evaluation of the relevant factors makes it evident that economies without a derogation of service, or improved service without offsetting increases in cost, will accrue from Working Capital Fund treatment of the function.

- Department Order 1700.10, dated November 9, 1967, "Extension of Working Capital Fund," Paragraph 5, (Criterion) provides:

> A function will be recommended for centralization and Working Capital Fund financing if this may be expected to make possible cost savings without derogation of service, or improved service without increased cost.

Services Not Provided Economically

Timesharing services obtained through the WCF have become costly because the number of contract users has decreased over the years without reductions in overhead costs. During FY 1987, the overhead base was $668,731 and users were charged 8 percent of the $8.1 million billed. In comparison, during FY 1988, the overhead base was $761,758, and users were charged 28 percent of the $2.7 million billed. The overhead costs for timesharing services is high compared to services performed. For processing contractor billings, initiating procurement requests, and serving as a liaison between the contracting officer and the contractor on administrative matters, users are assessed 25.2 percent of the entire WCF overhead pool. Despite the reduction in timesharing billings and users, this assessment has not changed.

In comparing overhead assessments for WCF services, we noted a significant disparity in the overhead charged to timesharing services. To illustrate, the FY 1988 Financial Cost Report showed costs of services provided by the Transportation Computer Center (TCC) were $16.9 million. However, TCC was assessed the same overhead as timesharing (25.2 percent of the overhead pool or $761,758) even though timesharing's cost of services amounted to $2.7 million or only 15 percent of TCC's services costs.

We asked WCF officials for the basis used to arrive at the overhead charge for timesharing services. Responsible officials said that as far as they knew, dollar volume was used when timesharing was originally included in the WCF. They said at that time usage and contract costs were significantly higher, possibly justifying an assessment of 25.2 percent of the WCF overhead pool. However, they knew of no attempts to revise the assessment as usage and contract costs dropped.

Users of Timesharing Services

An analysis of the users of timesharing services showed that 7 of the 14 timesharing contracts in force for FY 1988 were for single users while 6 of the 10 contracts in FY 1989 are for single users. These single users could reduce the high overhead costs they pay the WCF by obtaining the services themselves. Under existing procedures, the users' accounting office also reviews invoices and verifies the accuracy of services and billing information for the invoices. Also, the users advance funds to reimburse the WCF for the services plus the overhead. Consequently, single users are already experiencing processing costs which would not be much higher if they contracted and paid directly for timesharing services. By contracting directly, single users can avoid the high WCF overhead charge.

For FY 1988, single users' billings represented about 18 percent of the total timesharing billings. This figure suggests that if single users obtain their own timesharing services the overhead charge to those continuing to obtain timesharing services through the WCF would increase significantly, making those services even more costly.

Conclusion

There may have been economic advantages of obtaining timesharing services through the WCF. However, with the reduced number of users and overhead charges at the rate of 25.2 percent of the WCF overhead pool, obtaining these services through the WCF has become costly. The financial impact of the overhead charge is particularly significant to single contract users who could contract directly for the services. For the multiple users, potential efficiencies also exist from pooling requirements with the user having the predominant requirement. This arrangement would avoid the high WCF overhead charges and, at the same time, still realize economies from reduced subscription fees and quantity pricing.

Recommendations

We recommend that the Assistant Secretary for Administration:

1. Have single users obtain timesharing services through sources other than the WCF.
2. Determine if costs can be lowered and if sufficient users exist to obtain timesharing services for multiple users economically and efficiently through the WCF.
    a. If so, continue providing these services through the WCF.
    b. If not, arrange to remove the timesharing services from the WCF and assist multiple users to obtain these services through support agreements with the predominant user.

Management Response

In the June 26, 1989, response to the March 31, 1989 draft report, management concurred with the finding and recommendations. In addition, OIRM is looking at an extension to Recommendation 2.a. This extension would remove the contracting officer's technical representative responsibilities from the OIRM and place it in one of the user administrations for those services that continue to be provided through the Working Capital Fund. Management mentioned that because of the complex issues involved, a timetable (implementation plan) would be developed and provided to the Office of Inspector General by August 18, 1989.

A copy of the response is provided in its entirety as an Appendix to this report.

Audit Comments

The corrective actions contemplated by management cannot be fully evaluated until the implementation plan is received and reviewed.

III. ACTION REQUIRED

Further response under DOT Order 8000.1B is required within 90 days to provide us with a plan and timetable for implementing the recommendations in this report. We would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during the review.

#

U.S. Department of Transportation
Office of the Secretary of Transportation

Memorandum

APPENDIX
(2 Pages)

Subject **ACTION:** Draft Report on OIG Audit of Computer Timesharing Services--Working Capital Fund

Date JUN 26 1989

From Jon H. Seymour
Assistant Secretary for Administration

Reply to Attn of

To Assistant Inspector General for Auditing

We have reviewed the Office of the Inspector General (OIG) draft report, "Audit of Computer Timesharing Services--Working Capital Fund," and we concur with the conclusion that it has become too costly to obtain timesharing services through the Working Capital Fund (WCF). In particular, it is very costly for single-contract users.

Further, we concur with the OIG's recommendations:

1. Have single users obtain timesharing services through sources other than the WCF.
2. Determine if costs can be lowered and if sufficient users exist to obtain timesharing services for multiple users economically and efficiently through the WCF.
    a. If so, continue providing these services through the WCF.
    b. If not, arrange to remove the timesharing services from the WCF and assist multiple users to obtain these services through support agreements with the predominant user.

At the present time, the Office of Information Resource Management (OIRM), in concert with the WCF, is studying this matter. In addition to the recommendations above, they are looking at an extension to recommendation 2.a: removing the contracting officer's technical representative responsibilities from OIRM and placing it in one of the user administrations for those services that continue to be provided through the WCF.

The issues under study are not whether to implement these recommendations but, rather, what is involved in implementing them. There are two key considerations:

1. feasibility, ways and means of lowering WCF costs; and

2. preserving continuity in existing contracts while new ones are put in place.

Because these issues are complex--in particular those dealing with continuity of contract services--we do not have a timetable yet for effecting the recommendations. However, we will keep your office apprised of the progress of our study and will provide you with a timetable* by August 18.

We thank you for your effort in this audit and for the opportunity to respond to your report.

-#-

* (implementation plan)

U.S. Department of Transportation
Office of the Secretary of Transportation

Memorandum

Subject: INFORMATION: Audit of Computer Timesharing Services--Working Capital Fund (WCF)

Date: [illegible] 12 1990

Reply to Attn of:

From: Melissa J. Allen
Jon H. Seymour
Assistant Secretary for Administration

To: Assistant Inspector General for Auditing

This memorandum provides our response to your final report entitled, "Audit of Computer Timesharing Services--Working Capital Fund.". In responding to the draft report we had stated our concurrence with the audit recommendations to: (1) have single users obtain timesharing services through sources other than the WCF; and (2) determine if costs can be lowered and if sufficient users exist to obtain timesharing services for multiple users economically and efficiently through the WCF. We also stated that it had become too costly to obtain timesharing services through the WCF and that we were developing an implementation plan on how to acquire and manage these services in the future. Your final report requested a copy of that implementation plan which is included as an attachment to this memorandum.

Please contact Bill Wood at X65145 if you have any questions about our actions or need further information.

Attachment

- # -

TIMETABLE FOR TRANSFERRING

TIMESHARING SERVICES PROGRAM (TSP) CONTRACTS

Primary Responsibility	Event	Milestone
OST Procurement	Transfer contract administration responsibility out of Working Capital Fund	Completed
OST Procurement	Modify contracts for transfer of contract administration to FAA	Completed
OST Procurement	Modify Mead Data Control Contract to include additional users	Completed
OST Office of Information Resource Management/FAA	Coordinate contract administration, billing, and operating procedures with all users	January 26, 1990
OST Office of Information Resource Management/FAA	Resolve any remaining contract administration issues, including contract expiration dates	February 16, 1990
	Begin contract administration	March 1990

EXECUTIVE INFORMATION SYSTEM

Mr. LEHMAN. You are requesting $1.1 million to begin design of an "executive information system." This would be used by senior department officials. What exact types of information would be provided by this system, and are you aware of any other federal agency that has such an automated system solely for senior management?

Ms. CHAO. The Secretary is basically seeking a better way to manage issues and programs across all the operating administrations. This executive information system is a tool hopefully to bring all that information together which have a bearing on DOT management.

From what I understand, the Department of the Army, General Services Administration, and Department of Commerce are examples of other departments and agencies using EIS.

HUD, Labor, and Social Security Administration are also in the process of developing their own information systems, as well.

COMMISSION ON AVIATION SECURITY AND TERRORISM

Mr. LEHMAN. You are not proposing any additional funding for the Commission on Aviation Security and Terrorism. Why is this—will the $1 million already provided be adequate to complete their work?

Ms. CHAO. The Commission is expected to release its report in May, so its mission would have been completed. We see no further need to continue the Commission. We worked closely with the Commission to insure that the funding of the Commission is proceeding in a orderly fashion.

We do expect that the Commission will obligate the full $1 million before shutdown.

COMMISSION IN FY 1991

Mr. LEHMAN. In your opinion, would it be worthwhile to continue the work of this Commission at the same funding level during fiscal year 1991? If not, why not?

[The information follows:]

There is no need to continue the Commission. It is expected that it will complete its mission and issue a report of findings and recommendations by the end of May.

MAGLEV

Mr. LEHMAN. Have you seen the bill published in the congressional record yesterday about MAGLEV, introduced by Mr. Mrazek?

Ms. CHAO. That is an interesting concept, like that of the American Trucking Industry, who like to have an administration for all modes. Obviously, Senator Moynihan's interest in MAGLEV is one we were concerned with. Given the congestion we are currently facing in our aviation and highway system, we have to look at alternative modes of transportation. FRA is doing a preliminary feasibility study, and proposes to work in FY 1991 with the Corps of Engineers on a $10 million technical, economic and marketing assessment.

Mr. **Lehman**. Except for the Washington/New York corridor, all other passenger trains are diesel-powered. It seems like we are trying to go from diesel to MAGLEV.

Ms. **Chao**. MAGLEV, as a fully functional program, would require a tremendous amount of funding. The Germans and Japanese have reportedly spent about $1 billion each on the development of MAGLEV systems, and the Japanese intend to spend an estimated $2 billion on a new test facility.

ADJOURNMENT

Mr. **Lehman**. I want to thank you for your testimony. For two days we have had nothing but male FAA people. If there was one woman it was a lobbyist. Now from the Office of the Secretary, only one token male. Thank you.

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